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Rs480bn circular debt payment

Govt. response to audit paras not satisfactory

ZAHEER ABBASI

ISLAMABAD: The government has been unable to give any satisfactory response to the audit paras on the payment of Rs 480 billion circular debt made to the power sector and members of a parliamentary panel have accused Ministry of Water and Power of changing stance of making payment of idle capacity to the IPPs.

A three members' sub-committee of the Senate Standing Committee on Finance, headed by Mohsin Aziz, met here on Thursday for an in-depth consideration of the payment of Rs 480 billion. The meeting remarked, "We have given ample time to the Ministry of Water and Power to submit replies on audit paras but failed to get any response."

"This book (audit) on Rs 480 billion hasty settlement of circular debt by the government after coming into power can not be thrown out," the committee chairman and members stated. There is no improvement in the situation after four years as the country is still facing same hours of electricity load-shedding and volume of circular debt has compounded to the level of 2013.

The committee also remarked that Water and Power Ministry has been changing stance on payment of idle capacity to the IPPs as the ministry stated in the last meeting that IPPs have the capacity of producing more electricity which cannot be lifted due to weak system. However, now the ministry has come up with a different version and stated that IPPs have the capacity of producing electricity but can not do so due to non-payment of power dues by the government.

The committee questioned the justification for making payment of idle capacity when the country has been facing 12 hours load-shedding since 2007.

Representative of the audit stated that Public Account Committee (PAC) has not settled any of the audit paras of Rs 480 billion circular debt payment made to the power sector and acknowledged that "payment was made without referring to the accountant general's pre-audit."

Joint Secretary Power, Ministry of Water and Power, Zargham Eshaq Khan stated that the PAC has directed to conduct heat cost to determine whether or not extra payment was made to the IPPs. The members of the committee stated how the PAC can make settlement of audit report contingent to the heat testing of the IPPs.

Committee member Kamil Ali Agha said that condition of heat test has now been suggested to avert audit paras. "If heat test was so important then why it was not done before making payment of Rs 480 billion," he added.

The chairman of the committee stated that all these power projects were commissioned at a very exorbitant price because money was going into the pockets of a few individuals. The price of the high cost electricity is now being paid by the industry and the people of the country.

The members of the committee stated that it was wheeling and dealing on part of the PAC to impose such condition for settlement of audit paras.

"The PAC has compromised the existence of the AGP and undermined the audit report of circular debt by making this kind of condition," said the chairman while other members of the committee lauded the role of AGP and stated that this audit report is very important because it carries serious allegations.

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THE RUPEE

Gives up gains

RECORDER REPORT

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

They observed that during the announcement of Panamagate verdict, the national currency tumbled with modest fall due to slight increase in dollars' buying.

In the meantime, money experts said the rupee may come under pressure modestly in the coming days.

INTER-BANK MARKET RATES: The rupee showed marginal change versus the dollar for buying and selling at Rs 104.85 and Rs 104.86 respective, they said.

OPEN MARKET RATES: The rupee failed to sustain fresh gains, losing 10 paisas in terms of the dollar for buying and selling at Rs 106.00 and Rs 106.20 respective, they said.

The rupee also shed 30 paisas in relation to the euro for buying and selling at Rs 113.30 and Rs 114.90 respective, they said.

In the fourth Asian trade, the dollar caught its breath in Asian trading on Thursday, holding above lows hit earlier this week as investors awaited this weekend's first round of voting in France's presidential election.

The dollar index, which tracks the US currency against a basket of six major rivals, was slightly higher on the day at 99.752, moving away from a three-week low of 99.465 plumbed on Tuesday.

The euro edged up 0.1 percent to $1.07200, and was expected to tread water ahead of this weekend's vote.

Centrist Emmanuel Macron held on to his lead as favourite to emerge as the eventual victor, a closely watched poll showed, although it indicated that the outcome of the first round of voting on Sunday was too close to call.

Millions of French voters remain undecided, making this the least predictable vote in France in decades, and raising fears of a potential surprise result that could spread turmoil in markets.

The dollar was available against the Indian rupee at Rs 64.660, the greenback was at 4.400 in terms of the Malaysian ringgit and the US Currency was at 6.887 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday: 79.90-79.90 (previous 79.87-79.87).

Open Bid	Rs. 106.00
Open Offer	Rs. 106.20

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 registered reduction against the US dollar in the local currency market on Thursday.

The local currency dealers said that the US dollar resumed trading on a positive note amidst fresh buyers' interest in the market.

At the close, it rose to Rs 106.00 and Rs 106.35 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 105.80 and Rs 106.20 respectively, they added.

On the contrary, the national currency showed strength as it recovered its earlier losses versus the pound sterling.

The pound' buying and selling rates slid from Wednesday's closing rates of Rs 134.70 and Rs 135.70 to Rs 134.60 and Rs 135.50 respectively, they said.

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

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The dollar opened at Rs 106.25 (buying) and Rs 106.35 (selling) against. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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EDF board reconstituted

MUSHTAQ GHUMMAN

ISLAMABAD: Commerce Minister Engineer Khurram Dastgir has reconstituted Export Development Fund's (EDF) Board, giving major representation to public sector over private sector which contributes to the EDF funds by paying Export Development Surcharge (EDS) at 0.25 per cent of exports.

The newly-appointed 18-member reconstituted EDF board was scheduled to meet on Wednesday with Commerce Minister in the chair but the meeting was ostensibly cancelled due to the scheduled announcement of Supreme Court verdict on the Panama case.

The names of those who are now on the board are as follows: (i) Minister for Commerce(Chairman);(ii) Secretary Commerce(Vice Chairman I) ;(iii) Chief Executive, TDAP(Vice Chairman II) ;(iv) Secretary Finance (Member) ;(v) Secretary Industries and Production(Member) ;(vi) Deputy Governor, State Bank of Pakistan (Member);(vii) President, Federation of Pakistan Chamber of Commerce and Industry (Member);(viii) Secretary, TDAP(Member) and ;(ix) Joint Secretary, dealing with the subject, Ministry of Commerce(Secretary of the Board);(x) Pervaiz Malik, MNA(Member);(xi) Chairman, Pakistan Sports Goods Manufacturers& Exporters Association (Member);(xii) Chairman, Pakistan Cotton Ginners Association(Member);(xiii) Chairman Carpet Manufacturers & Exporters Association (Member) ;(xiv) Secretary Ministry of Textile Industry (Additional Member) ;(xv) Secretary, National Food Security& Research (Additional Member);(xvi) President Quetta Chamber of Commerce & Industry; (xvii) President Sarhad Chamber of Commerce and Industry (Additional) Member;(xviii) Chairman Pakistan Software Association Houses Association for IT & ITes (Additional Member) and ;(xix) Chairman Pakistan Textile Exporters Association.

Central Chairman Pakistan Readymade Garments Manufacturers & Association (PRGMEA) has criticised Commerce Ministry's decision to have minority members from the private sector and giving preference to the government.

According to him, 11 members are from the government side whereas 7 members belong to private sector which implies that private sector is now dependent on the government members whose contribution to exports and EDS is zero.

"It's our money. This is an extraordinary discrimination against the major stakeholders. Representation from private and public sector should at best favour the private sector and at worst have equal representation," he added.

In reply to a question he said that the value added sector which is the major contributor to EDS has been ignored which is garments sector while undeserving Associations have been made members of the EDF Board.

He opposed allocation of funds for the SAARC Chamber of Commerce and Industry, adding that it's not Pakistan specific but for the entire region and should be funded equally by the SAARC members.

All EDF funds should be released for those projects which are still incomplete, he added.

The board has been reconstituted without taking the existing Board members on board, he claimed.

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Mining lease to Reko Diq project

Govt agrees to give in-camera briefing to Senate

RECORDER REPORT

ISLAMABAD: The government agreed on Thursday to give an in-camera briefing to the Senate about a recent ruling of an arbitration tribunal of the World Bank's International Centre for Settlement of Investment Disputes (ICSID) in relation to denial of a mining lease to Reko Diq project in 2011.

Federal Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi told Senate that the issue is under litigation and he is ready to give an in-camera briefing to the house, to which the house agreed.

Chairman Senate Raza Rabbani directed the minister to give the in-camera briefing by the next session that is scheduled for May 8.

The ICSID's ruling came after Tethyan Copper Company Limited (TCC), a joint venture of Antofagasta and Barrick, filed an arbitration claim against Pakistan for unlawfully denying a mining lease for the Reko Diq project.

The lawmakers said that the agreement with TCC was signed by a caretaker government, which is in no way acceptable, and there should be a legislation to bar caretaker governments from inking any such deal with foreign countries.

This prompted Rabbani to observe if the parliamentarians are serious to stop the caretaker governments from signing any foreign agreements, they must move an amendment, focusing that all such agreements should be ratified by the Parliament.

He made this observation during a debate on an adjournment motion by Senator Saifullah Magsi about implications of the arbitration tribunal of the World Bank's International Centre for Settlement of Investment Disputes (ICSID) on arbitration claims filed by TCC against Pakistan in relation to denial of a mining lease to Reko Diq project.

Senator Usman Khan Kakar of Pakhtunkhwa Milli Awami Party (PkMAP) said that the contract of Gwadar Port operation has been given to China, adding 40-year operating lease to China for Gwadar shows it will benefit the neighbouring country than Pakistan.

He also said that Reko Diq is a giant copper and gold project in Chaghi and those involved in signing the deal with BHP Australia, besides giving it 75 per cent shares in the project, are in no way friends of Pakistan.

"I wish our courts might take suo motu against these dealers who compromised the interests of the country by making such a controversial deal. The government must clarify its position on World Bank's ICSID verdict," he added.

Senator Sherry Rehman of Pakistan Peoples Party Parliamentarians (PPP) questioned how a caretaker prime minister can sign an agreement with an international company for exploration of a goldmine.

She said that the government should tell the Parliament whether or not it is in a position to file an appeal against the World Bank's ICSID verdict, adding both provincial and federal governments can pay the fine to TCC.

"Legislation is in the offing to bar the caretaker governments from signing contract with international companies as it is simply not their business," she added.

Senator Jehanzeb Jamaldini of BNP-Mengal said that the attorneys hired by the government to contest the case were sure that they would easily win the case, but then they could not properly plead the case.

"They must give us reasons for abrupt change in their position," he said.

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Senator Shibli Faraz of Pakistan Tehreek-e-Insaf (PTI) said those who struck the deal with these foreign companies without weighing its pros and cons should be made accountable.

He also criticised renowned scientist Dr Samar Mubarakmand for misleading the government about different goldmine and energy projects without making any significant progress on them.

Senator Ilyas Bilour of Awami National Party (ANP) also accused Dr Samar Mubarakmand of pocketing billions of rupees from federal and provincial government under the pretext of producing electricity through coal and wind.

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Forex reserves fall by $176m

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KARACHI: The country's total liquid foreign exchange reserves declined by $ 176 million during last week.

According to State Bank of Pakistan's weekly report issued Thursday, the country's total liquid foreign exchange reserves stood at $21.568 billion as on April 17, 2017 against $ 21.744 billion on April 7, 2017.

During the week under review, the SBP reserves moved down, however banks' reserves surged slightly. During the week ending April 14, 2017, the SBP's reserves decreased by $ 272 million to $ 16.416 billion compared to $ 16.688 billion a week earlier.

Reserves held by banks rose by $ 96 million to $ 5.152 billion at the end of last week.

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CPPA-G seeks reduction of Rs4.60 per unit in tariff

ISLAMABAD: Central Power Purchasing Agency-Guaranteed (CPPA-G) has sought cumulative reduction of Rs 4.60 per unit (Rs 2.398 per unit for February 2017 and Rs 2.2 per unit for March 2017) in tariff of Discos under monthly fuel price adjustment mechanism.

National Electric Power Regulatory Authority (Nepra) will hold a public hearing on April 26, 2017 on the petition filed by the CCPA-G. The representatives of CPPA-G and National Power Control Centre (NPCC) will be available for questions that may be raised by the Authority members.

According to CPPA-G petition, total generation in February 2017 was 63,827 GWh, of which hydel generation was 1,493 GWh (23.4 percent of total generation), 23.4 percent of total generation, coal 4.62 GWh, HSD 5.95 GWh, RFO 1,677 GWh, gas, 1,797 GWh, RLNG, 537.8 GWh, nuclear 581 GWh, import from Iran 33.8 GWh, mixed 36.1 GWh, wind 81 GWh, baggasse 80.5 GWh, solar, 54 GWh.

Power sale to IPPs was 8.99 GWh whereas transmission losses were recorded at 150.6 GWh, total cost of which was Rs 131 million. The net delivered electricity in February 2017 was 6,223 GWh, cost of which has been calculated at Rs 30.260 billion.

In February, per unit cost of electricity generated on coal has been calculated at Rs 4.4998 per unit, HSD Rs 15 per unit, Rs 9.4365 per unit, gas 4.2345 per unit, RLNG Rs 7.5649 per unit, nuclear 1.1235 per unit, import Iran Rs 10.63 per unit, mixed, Rs 6.55 per unit, baggasse, Rs 4.26 per unit. The total per unit cost of electricity generated has been calculated at Rs 4.5761 per unit and after deduction of sale cost of power to IPPs and transmission losses, the total per unit cost was 4.8624 against reference fuel charges of Rs 7.2603/kWh.

In March 2017, hydel generation was 1,284 GWh (16.85 percent of total generation) coal 8.73 GWh, HSD 38.15 GWh, RFO 2,495.7 GWh(32.75 percent of total generation), gas, 2,218 units(29.12 percent of total generation, RLNG 611.23 GWh, nuclear, 616.6 GWh, import from Iran, 38.7 GWh mixed 50.2 Gwh, baggasse 107.9 GWh. Total generation in March 2017 was 7,6199 GWh at per unit cost of Rs 5.5383 per unit. Transmission losses in March 2017 were 201.7 GWh. After deduction of transmission losses and sale of power to IPPs, total generation has been recorded at 7,400 GWh at per unit cost of Rs 5.8948 per unit, against reference fuel changes of Rs 8.223 per unit.

According to the petition, supplemental Energy Purchase Price (EPP) charges Rs 378 million in February 2017 and Rs 238.2 million in 2017 respectively.—MUSHTAQ GHUMMAN

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Complaints against officials

FBR to set up 'council of complaints'

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue (FBR) has decided to establish 'council of complaints' with the mandate to scrutinise the serious complaints filed against the officers/officials of the FBR.

Sources told Business Recorder Thursday that the decision in this regard was taken in the last meeting of the Board-in-Council.

The Board-in-Council, in its meeting held on 19th April, 2017 while discussing operational strategy of Integrity and Performance Unit (IPMU) of FBR approved in principle the establishment of "Council of Complaints" which is to be headed by a senior member of the board along with Member (IR-Ops), Member (Customs) and Member (Administration) with the task to scrutinise the serious complaints filed against the officers/officials of FBR.

The Board-in-Council of the FBR had decided to operationalise Integrity & Performance Management Unit (IPMU) to check corruption within the tax machinery. The FBR had created Integrity & Performance Management Unit (IPMU) in the past to introduce internal monitoring controls to combat corruption within the organisation and placed checks to ensure integrity of employees through evaluation of their performance.

According to sources, Saleem Ahmed Ranjha, a BS-21 officer of Pakistan Customs Service, has unanimously been selected as first CEO of FBR Foundation.

Meanwhile, a project management unit of TAGR project has been established in Federal Board of Revenue (HQ), Islamabad with effect from February 23, 2017.

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Dull trade on cotton market

ANALYSIS DR ZAFAR HASSAN

LAHORE: Despite the fact that we have reached the tail-end of our current season (August 2016/July 2017) with only about 250,000 bales (155 Kgs) lying unsold in the open market, cotton rates remain mostly unchanged over the week. As the domestic textile industry continues to remain mostly in losses, lint prices remained mostly unchanged since the beginning of this month.

Even while global cotton prices are reported to be mostly tight as in America and India, they are also said to be quite steady in China. Local lint prices continue to range from Rs.6500 to Rs.7000 per maund (37.32 Kgs), according to the quality. Traders said on Thursday that cotton prices are presently cheaper in Pakistan compared to the global prices.

According to the final seed cotton (Kapas/Phutti) arrivals for the current season (2016/2017), the total upto the 15th of April 2017 were 10,727,182 lint equivalent bales from which the domestic mills picked up 10,259,229 bales. The exporters lifted 202,356 bales. Unsold bales reported to be with the ginners are said to be 265,597 bales.

Sowing for the new crop (August 2017/July 2018) has started slowly. However, hot weather and lack of adequate water are said to be impediments to quicker and larger amount of sowing of the new crop. Thus the sowing of the new cotton crop is being carried on slowly.

One of the leading ginner and cotton merchant Iqbal Umar Wadhawan, Director of the prestigious and well regarded firm Haji Khudabux Amir Umar (Pvt) Ltd. passed away on 18 April 2017. The late Iqbal Umar and his family have been ginners, cotton merchants and exporters for more than seventy years. Iqbal Umar was a very amiable person who was very well informed in cotton trade and was highly regarded. He was also a former Chairman of the Karachi Cotton Association. He belonged to a very distinguished trading family of Chiniot. May Allah Almighty bless his soul and bestow forgiveness upon him. Ameen

On the global economic and financial front, some major political news and developments are keeping the markets on a tightrope. Both equity and commodity markets are showing extra uncertainties, volatilities and a lack of a credible direction due to political developments in several areas around the world.

Since the last many months, the North Korean programme to keep firing missile after missile in the region of the Korean peninsula sounds obviously threatening to Japan, South Korea and China which has also irked America which maintains worldwide presence and also has an abiding interest in the region. This continuing missile throwing activity in the Korean/Japanese region keeps the tensions high all over the world. Business activity suffers and investment also remains vulnerable with equity markets remaining apprehensive of any largely negative outcome.

Other negative developments remain regarding trouble spots in Syria, Iraq and Turkey. The burgeoning and never ending immigration of large number of people from the Middle East to Europe remains a continuing catastrophe. Fears of miscreants, trouble makers and mischief mongers entering Europe is increasingly impinging on economic performance there.

The forthcoming election in France is also seen with some uncertainty regarding the shape a new economic programme could take in case Le Pen wins who carries an appeal in the centre and left of centre politics in France. Investors believe that the election of Marine La Pen is a great risk and thus some equity markets turned topsy-turvy this week around the world.

It appears that the American Federal Reserve Bank believes that the economy is attaining momentum. It seems that the Federal Reserve believes that America is prepared for increasing rates steadily but regularly as the economy is in a position to absorb it. A sustained growth in the American economy is seen by the Federal Reserve. Indeed some other central banks around the world see the need to increase interest rates in view of the improvement in the economies in their countries or regions. The Eurozone could thus also keep increasing its interest rates.

It is of prime interest to note that Christine Lagarde, the Managing Director of the International Monetary Fund (IMF), recently said that all its 189 members believe in free and impartial global trade to meet and adjust the needs of the membership. She added that members of the IMF are determined to find ways and means to make sure that trade benefits all the members in a level playing field.

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Prices steady amid listless business

RECORDER REPORT

KARACHI: Prices were firm on the cotton market on Thursday as leading buyers kept on the sidelines amid announcement of Panama papers' case, dealers said.

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

In ready session, not a single deal reported, traders were preferred to wait for Panama announcement instead of doing usual business, they said.

Market sources said that it is expected that normal trading activity likely to resume from the next week. In the meantime, cotton analyst, Naseem Usman said that the United States Department of Agriculture (USDA) weekly report, showed modest fall against the last week.

In New York, cotton futures were strong in the process of trading. In China and Indian prices were mixed during the trade, 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 19.04.2017**	**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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New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	77.67	80.67	77.67	80.07	14:45 APR 20		2.40	7425	77.67
Jul'17	78.56	79.39	78.33	79.11	14:45 APR 20		0.79	21407	78.32
Oct'17	74.50	74.63	74.50	74.63	14:45 APR 20		0.55	3	74.08

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Meaningful budget proposals

Huzaima Bukhari and Dr Ikramul Haq

Every year before the announcement of annual federal budget, a plethora of proposals are received by the Federal Board of Revenue (FBR) from trade and professional bodies, tax bars and industry's representatives. Even the partial acceptance of such suggestions leads to an avalanche of mindless changes in the tax codes having no meaningful impact on the much-needed industrial expansion and economic growth of the country. The entire process itself is faulty as in a true democratic set-up, tax proposals are prepared through parliamentary processes, and are implemented after a thorough public debate while in Pakistan, it remains purely a bureaucratic exercise. It is high time that structural reforms must be introduced to ensure fair taxation, rapid growth and creation of new jobs.

There is a consensus in Pakistan that the ill-directed, illogical, regressive and unfair tax laws, regulations and highhandedness of tax agencies at federal and provincial levels are causing a dampening effect on the industrial and business growth. The sole stress on meeting revenue targets from the existing taxpayers, without reforming the tax system and evaluating its impact on the economy, is a self-defeating exercise. Had the successive governments concentrated on economic growth and industrial expansion, there would have been consequential substantial rise in taxes today. It is impossible to enhance revenues without achieving sustainability in economic growth. Overtaxing economy, as has been done in Pakistan, can destroy the revenue system as well.

Private sector regards the problem of dealing with government revenue agencies a major constraint to its business operations and growth prospects. On the eve of each year's budget exercise, many constructive suggestions made by experts and stakeholders are ignored with impunity by self-acclaimed wizards sitting in the Ministry of Finance and FBR. For example, issue of restoration of circle system that was raised way back in 2008 in these columns and then repeated many a times, but never considered by the policymakers for reasons best known to them.

On income taxation side, the policy of appeasement, despite vehement opposition from many quarters, is prevailing and perpetuating. Giving a free hand to tax evaders to whiten their money through section 111(4) of the Income Tax Ordinance, 2001, section 9 of the Protection (sic) of Economic Reforms Act, 1992, tax amnesties, increasing exemption limits, raising deductions, lowering tax brackets and serving the rich and mighty has eroded the income tax base substantially over the period of time.

FBR has been running after small fry to broaden its tax net. For example, a person with a car, telephone, etc, has to file a return whether he has taxable income or not. Such an exercise generates tremendous infructuous, unproductive and wasteful workload without any significant gain to the revenue. It strengthens the view that the government, failing to tackle hardened tax evaders (for example, sharks in stock exchanges and real estate market), is unduly harsh on salary and wage earners. A feeling goes around that they are made to bear the major burden of taxes. The consequence is that ordinary people who generally think of themselves as honourable and honest citizens end up in participating or advising others to avoid paying taxes or filing returns!

Present income tax law is a most undesirable piece of legislation. Direct tax system intends to achieve the twin aims of maximizing revenue as well as achieving socio-economic justice. Our tax system is achieving none of these. Even after levying all kinds of oppressive taxes and expanding the scope of withholding taxes to an insane level, the federal government has failed to bridge the ever-increasing fiscal deficit that is leading towards a greater debt burden. At present, 65 percent of tax revenues are going towards debt servicing alone.

Provinces are also critical of inefficiencies on the part of the Federal Board of Revenue (FBR) due to which their share in the divisible pool is insufficient to meet their annual budgetary requirements. Since the share of every province in federal taxes under the National Finance Commission (NFC) depends on how efficiently taxes are collected by FBR, it is important that the centre and federating units actively participate in tax collection apparatus/processes/efforts. No serious debate has ever been initiated on the issue as to how we should increase the size of the cake for both the centre and provinces.

The most important factor that discourages compliance with intricate tax laws is the extremely complicated and cumbersome nature of procedure involved in being registered with the revenue authorities. Even the corporate and educated class finds it difficult to follow and observe the simultaneously applicable innumerable legal obligations, what to talk of the ordinary man on the street.

If a survey is conducted with respect to merely the advance tax provisions (almost 70 in number), it would reveal how a person is supposed to be aware of so many avenues where either tax is being withheld or he is himself paying income tax and the consequences of these taxes, the credit of which he may or may not be allowed to take while filing his return. In the first instance, a highly meticulous record of all such transactions that invoke taxes would have to be maintained and secondly, an even higher level of grasp over the law would be required to apply it.

The tax system that will work smoothly for Pakistan must be a flat rate with no compliance hassles. All taxes should be merged into one single tax with complete assurance to the masses that they would be free from any kind of harassment; and money collected would be spent towards their welfare.

The agenda of fair taxation cannot succeed if wastage of public funds and its abuse by the rulers continue unabated. The quid pro quo for paying taxes is as important as the system employed for collecting them. Where the public is blamed for not paying their due share, public authorities are equally, if not more, responsible for indulging in corrupt means.

The provinces should also work for better and efficient tax collection. Presently, they are isolated and rely on distribution from the divisible pool whereas FBR collects much less than the actual tax potential of Rs 8 trillion. The responsibility to collect revenues should be joint giving a participative sense to all federating units.

The need of the hour is establishment of automated Tax Intelligence System. This system should send quarterly information to potential taxpayers about their economic activities so that they can be informed in advance as to how their incomes and expenditure should finally look like in their tax declarations. Without this deterrence, even the simple tax system will not work. Nowhere in the world is proper collection of taxes possible without a strong enforcement apparatus.

The tax base with respect to direct tax vis-à-vis fair distribution of incidence can be achieved by imposing 10 percent flat rate tax on net income of individuals and reducing corporate tax rate to 20 percent. This kind of simple taxation would induce voluntary compliance provided citizens are aware that competent tax machinery exists.

All existing indirect taxes should be replaced both at the federal and provincial levels with Harmonised Sales Tax (HST).

According to the available data, the total number of persons having taxable income of more than Rs 400,000 is between 10 to 12 million and tax base is around Rs 50 trillion (after taking into account informal economy). Flat rate taxation of just 10 percent with strong enforcement system will yield Rs 5 trillion under income tax alone. If

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amnesty for earlier years is given, not less than further Rs 2 trillion can also be collected.

As far as sales tax is concerned, it has been emphasised time and again by us that Pakistan needs lower rate harmonised sales tax (HST). More details can be seen in our paper, Towards Flat, Low-rate, Broad and Predictable Taxes, available at http: //primeinstitute.org/wp-content/uploads/2016/08/Towards-Flat-Low-rate-Broad-and-Predictable-Taxes.pdf

All existing indirect taxes should be replaced both at the federal and provincial levels with Harmonised Sales Tax (HST). There are now multiple tax collection authorities, rendering the life of businessmen miserable since they are unable to comprehend complex laws without having to pay heavily to professionals.

If the present indirect taxation is replaced with HST as in a comparable federation like Canada, it would not only improve revenue collection but would also help alleviate sufferings of taxpayers who have to deal with multiple tax authorities. In the Pakistani milieu if 5% HST is levied, it would yield at least Rs. 3 trillion giving substantial fiscal space to both federal and provincial governments.

It is imperative to abolish the present tax laws and enact new ones. Collection of taxes should be through a single National Tax Agency (NTA). National and provincial assemblies should pass a law agreeing on establishment of NTA responsible for collecting all taxes imposed by the federal and provincial governments. This would facilitate people to deal with a single revenue authority rather than multiple agencies at national, provincial and local levels. The mode and working of NTA can be discussed and finalised under the Council of Common Interest [Article 153] and its control can be placed under National Economic Council [Article 156].

The NTA should consist of officers and staff representing the federation of Pakistan as in taxes, both the centre and provinces have equal stakes. If the size of the pie grows, every federating unit will get more and the Centre will also have more money at its disposal. For NTA, an all Pakistan Tax Service should be established. Recruitment for All Pakistan Tax Service must be independent of the present Central Superior Services structure. Competent people having knowledge in accounting, law, IT and administration should be selected through a special board, comprising members from the existing Federal and Provincial Public Service Commissions.

(The writers, authors of many books and partners in HUZAIMA IKRAM & IJAZ, are Adjunct Faculty Members at Lahore University of Management Sciences)

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Facilitating trade between Pakistan and Iran

The lifting of sanctions on Iran has provided an opportunity to the State Bank of Pakistan and its counterpart in Iran, Bank Markazi Jamhouri Islami Iran (BMJII), to ink the necessary accord to facilitate trade. The agreement was signed between SBP Deputy Governor Riaz Riazuddin and BMJII Vice Governor Ghulamali Kamzab in Tehran on behalf of their respective central banks. The objective of the agreement is to provide a settlement mechanism to promote trade between the two countries. As is the norm, this mechanism will be used for the payment of trade conducted via letters of credit and in accordance with international laws and regulations. However, its details will be issued in due course of time.

As per terms and conditions of PBA, the parties will open in their banks a special account denominated in Euros in the name of one another. These special accounts will be free of any charges, taxes and commissions. In the PBA, Euro means the lawful currency of the European Union (EU) and would be considered both the currency of accounts and currency of payment. The parties shall grant one another a reciprocal credit facility of Euro 250 million in their respective special accounts. The agreement may also be amended or modified at any time through a mutual written consent of the parties. However, all differences or disputes with the application or the interpretation of this agreement shall be amicably settled through mutual consultation and negotiations between the parties.

We feel that this was a historic agreement between the two countries which could play a part in expanding bilateral trade. At present, trade between the two countries is quite limited due to a number of factors, including near non-availability of banking channels to open letters of credit for conducting normal trade. Bilateral trade between the two countries was also greatly hampered due to US sanctions imposed on Iran. Now that the Banking and Payment Arrangement (BPA) has been signed, both the central banks will invite banks in their respective jurisdictions to act as authorised banks for undertaking trade transactions. Hopefully, at least major banks of Pakistan will be interested to open their branches in Iran while the same could be expected from the Iranian side. Their business could get a boost because Pakistani traders are already quite keen to export the desired merchandise to Iran and one of the deterrent factor, the absence of banking channels, has now been removed. A large part of smuggling across the borders may be channelized through legal means after the agreement. The bilateral trade may also get a boost due to lower transportation costs and the friendly relations between the two countries may be strengthened further. Besides, projects like long delayed gas pipeline project would be facilitated due to the present agreement on PBA. Overall, the accord is likely to prove beneficial and could result in a win-win situation for both the countries.

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Trade associations see stability

PARVAIZ ISHFAQ RANA

KARACHI: People watch TV coverage of the Supreme Court's verdict on the Panama Papers case in Saddar on Thursday.— PPI

KARACHI: The leaders of major trade associations heaved a sigh of relief at the Supreme Court's verdict.

They said it cleared the clouds of uncertainty that was causing an adverse impact on business activities for the past few weeks.

Talking to Dawn, most businessmen sounded happy over the outcome. A leader articulated the community's sentiment and said it was 'like a big storm passing away without causing devastation'.

Zubair Tufail, president Federation of Pakistan Chambers of Commerce and Industry (FPCCI) advised political parties to accept the SC verdict with an open heart and try to work for the stability of the country.

He appealed not to adopt a path of agitation till the investigations under the JIT were completed and Supreme Court came up with a verdict based on these findings within a period of 60 days.

Masood Naqi, chairman Korangi Association of Trade and Industry (KATI) said the business community wants peaceful settlements of all issues as stability is crucial for business.

The SC verdict has helped to move out of 'wait and see' phase, he said.

Shabir Ahmed, Patron-in-chief Pakistan Bedwear Exporters Association (PBEA) said people think that the storm has subsided after the SC verdict but in fact more uncertainty has been created.

The country needs long term stability for arresting rapidly falling exports, he said.

"For another 60 days, the whole nation will have to wait and keep their figures crossed. I do not feel the SC verdict has settled the issue," he added.

DAWN
Friday, 21st April, 2017

Regulator to fine Discos for denying tariff relief

KHALEEQ KIANI

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) is expected to impose a penalty on distribution companies of ex-Wapda for delaying relief in fuel-based tariff to consumers for two months when it takes up the case of Rs2.40 and Rs2.20 per unit cut in tariff next week.

A Nepra official said the Central Power Purchase Agency (CPPA) on behalf of the distribution companies was legally required to file a request for automatic fuel adjustment by middle of every month to pass on the impact of fuel cost to consumers.

Last month, it did not provide timely data to the regulator on account of fuel consumption in February to enable the regulator to hold a public hearing and the consumers were deprived of their entitled refund last month. As a consequence, the refund for another month — March — became due and the regulator had to take up two monthly petitions simultaneously.

This meant the distribution companies secured financial benefit by holding back extra money collected from the consumers for an extended period of time to meet their cash flow requirements.

Under the practice in vogue, the distribution companies are charging significantly higher estimated fuel charge to power consumers that is later adjusted against actual cost in a subsequent month with the approval of the power regulator. Delay in submission of monthly adjustment request attracts fines and penalties under the tariff standards and procedure rules.

In its petition, the CPPA reported to the regulator that it had charged a higher reference tariff of Rs7.26 per unit to consumers in February, but actual fuel cost turned out to be Rs4.86 per unit. Therefore, there was a legal requirement to return Rs2.40 per unit to consumers.

Likewise in its second petition, the CPPA said it had charged Rs8.1 per unit to consumers as fuel charges in March, but actually the fuel cost worked out at Rs5.9 per unit. Therefore, the consumers should be refunded Rs2.20 per unit.

The petitioner said the about 6,382 Gwh (Gigawatt hours) were generated in February and 6,223 Gwh could be delivered to distribution companies due to system losses. In contrast, 7,620 Gwh were generated in March and 7,400 Gwh were delivered to distribution companies.

It said the cheapest source of hydropower production in February stood at 23.4 per cent which dropped to less than 17pc in March. The hydropower has zero fuel cost.

The power generation from furnace oil-based power plants amounted to 26.3pc in February at Rs9.4 per unit and it increased to almost 33pc in March due to decline in hydropower and its cost also went up to Rs9.9 per unit in March.

Likewise, the natural gas-based generation stood at 28pc in February at cost of Rs4.23 per unit while its share slightly increased to 29pc in March with higher generation cost of Rs4.7 per unit.

Similarly, the generation from imported liquefied natural gas (LNG) had a 8.43pc contribution in the overall power supply at a rate of Rs7.6 per unit in February compared 8pc contribution at almost the same rate.

The coal and diesel based power generation had a less than 1pc contribution to power supply in two months and their generation cost amounted to Rs4.5per unit and Rs15 per unit respectively.

The CPPA had sought Rs1.62 per unit cut in fuel cost in January, but the regulator had approved Rs3.23 per unit because of some inadmissible expenditures claimed by the power companies.

The reduction in actual generation cost was mainly because of dip in global oil prices. It was reported that the cheapest source — hydropower — could not optimally contribute to the total generation because of lower water availability and the the gap was met through higher diesel and furnace oil based contribution.

The CPPA said the actual generation cost was lower and hence extra money collected from consumers needs to be refunded through adjustment in the next billing month under automatic fuel pass through mechanism.

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Reserves dip $176m

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $21.5 billion on April 14, down $176 million or 0.8 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

The SBP's reserves decreased $272m to $16.4bn during the week. Net foreign exchange reserves held by commercial banks amounted to $5.1bn on April 14, slightly up from the preceding week.

DAWN
Friday, 21st April, 2017

Cotton trading slows

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Trading on the cotton market touched rock bottom as both buyers and sellers were conspicuous by their absence.

The uncertainty surrounding the Supreme Court's ruling in the Panama Papers case overshadowed proceedings on the cotton market in the second half.

Brokers said it would take some time before the traders regain confidence, particularly when a lot of debate was going on the pros and cons of the court verdict.

Meanwhile, world's leading cotton markets remained steady with higher export figures released by the US Agriculture Department for this week. The report disclosed that China, India, Turkey and Vietnam have been major importers of the US cotton.

The Karachi Cotton Association (KCA) left its spot rates steady. According to official KCA report, no transaction was reported on the ready counter.

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	104.70	104.90	106.00	106.20
UK	134.29	134.54	135.00	136.50
Euro	112.23	112.45	113.30	114.80
S.Arabia	27.92	27.97	28.15	28.35
UAE	28.51	28.56	28.80	29.00
Japan	0.9644	0.9662	0.9631	0.9831

*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 19

Three months	1.15567 %
Six months	1.39072 %

THE NEWS
Friday, 21st April, 2017

Experts call for simple tax system to ensure compliance

LAHORE: Economist Hafeez Pasha on Wednesday called for harmonisation of tax rates across the country to address the grievances related to national finance commission (NFC) awards.

Pasha said at least 60 to 70 percent of the divisible pool should be allocated to the low income provinces. “The current award is not equitable,” he said, addressing the 2nd consultative session of the NFC award, organised by the Policy Research Institute of Market Economy (PRIME).

“It is imperative that the horizontal sharing formula of the NFC awards should be updated after the census.” The ex-finance minister called for further decentralisation of the tax system in addition to create incentives for resources generation as well as allocation. He proposed that conditional grants should be provided to those working on priority areas of the federation, such as education and health.

Abdul Wajid Rana, ex-finance secretary, said India has now introduced its 14th NFC award, while Pakistan managed to announce only the 7th award since its inception in 1947. Rana said the share of provinces could not be lower than what was determined in the 7th NFC award after the 18th amendment.

Tax expert Ikramul Haq said taxation rights have not fairly been shared between the provinces and the centre. “Disputes between provinces and the centre arise because provinces are not allowed autonomy to determine tax policy,” said Haq, who authored a book, titled, “Towards Flat, Low Rate, Broad and Predictable Taxes.” The expert called for a clear demarcation of jurisdiction to avoid conflicts over revenue between the units and the centre.

He expressed concern over what he said the massive level of double taxation in the system. He called for a major sales tax reform. Businessman Najaf Yawar said the government needs to identify the optimal level of taxation. Yawar, during an interactive session, said provinces should promote low tax rates to attract investment.

Tax expert Zafar Kalanauri said the tax system needs to be extremely simple to encourage compliance as the country has low literacy rate. Saad Khan of the National School of Public Policy said the allocations made in the current NFC award are not inequitable. Khan said Balochistan’s budget increased more than 1,000 times since 1982 – much faster than any other province. Smaller provinces also receive a greater share in national development spending apart from funds from NFC divisible pool.

THE NEWS
Friday, 21st April, 2017

Forex reserves down to $21.568bln

KARACHI: The foreign exchange reserves of the country declined $176 million to $21.568 billion by the week ended April 14 as against $21.744 billion in the preceding week, the central bank said on Thursday. The State Bank of Pakistan's (SBP) foreign exchange reserves decreased $272 million to $16.416 billion during the week under review as against $16.688 billion a week ago. However, foreign exchange reserves held by other commercial banks increased $97 million to $5.152 billion from the previous level of $5.055 billion.

THE NEWS
Friday, 21st April, 2017

Investors cheer Panama verdict: Stocks soar to historic intraday high

KARACHI: Creating history, the Pakistan Stock Exchange's (PSX) benchmark KSE 100-share Index on Thursday surged more than 1,900 points, the biggest ever intra-day gains, on a Supreme Court's decision in Panama case that took off a possibility of Prime Minister Nawaz Sharif's disqualification, dealers said.

The market never witnessed such volatility in the past as the benchmark index moved in the range of 2,149 points before retreating on profit-booking to end with a gain of 1,140.08 points or 2.39 percent. The index settled the day at 48,743.56 points. Previously, the index witnessed highest ever single day surge of 1,406 points in November 2016.

The Supreme Court, in a three-two split decision, ordered a joint investigation team to probe into the corruption allegations against the Prime Minister and his family.

The Index, which had a solid run in the past few days, soared immediately after the court decision, fuelled by hopes that the government would keep reforms' momentum to accelerate economic activity.

Analyst Abid Ali Habib at Arif Habib Limited said investors cheered continuation of Nawaz government and "they celebrated it with a bang." "For the last two months a panic like situation prevailed at the bourse… Now that political uncertainty neutralised, investors took fresh bets in the oversold market," Habib said.

Analyst Faisal Bilwani at Elixir Securities said equities closed thunderously positive after taking investors for an unprecedented and the wildest ride ever as the benchmark KSE 100 Index witnessed a record move of near 2,150 points during the day.

"Trading started cautiously as investors awaited the Supreme Court's verdict; however institutional flows primarily led by locals helped the wider market post modest gains by mid day," Bilwani said. "A fresh wave of buying followed the court's decision and that averted threat of PM Nawaz's disqualification."

KSE 30-share Index also surged 2.51 percent or 634.20 points to end at 25,926.24 points. As many as 395 shares were active; of which 320 increased, 64 decreased and 11 remained unchanged.

The ready market volumes rose by a whopping 54 percent to 408.163 million shares as compared to 265.654 million shares a day earlier. Chief Commercial Officer Khurram Schehzad at JS Global said the index hit an all-time high on excitement of the court's decision and settled 1,140 points up.

"Though political uncertainty still persists, yet the market cheered the announcement regardless of it being positive or negative," Schehzad added. Analyst Ahsan Mehanti at Arif Habib Limited said stocks sharply surged after the Panamagate case ruling, ordering composition of a joint investigation team to investigate the case. "Easing political noise played a catalytic role in record surge," Mehanti said.

Analysts expect the market to re-test the previous highs of 50,000. But, they added that the joint investigation team's probe would pose a challenge and might keep investors on tenterhooks.

Ongoing earnings season and budget related expectations will certainly regain more limelight in days ahead.

Dealers are confident that Morgan Stanley Capital International (MSCI) Emerging Market Index's upgrade will also lead to an excitement and help channel fresh liquidity both from domestic and foreign investors.

They are expecting between $300 and 500 million foreign inflows from the emerging market index tracking funds. Improved visibility of Pakistan's market would attract other funds/investors as well, they said.

The US equity indices provider MSCI included PSX in its benchmark emerging-market index in June 2016.

The MSCI Pakistan Index will be reclassified to emerging markets status from frontier markets, coinciding with the May 2017 semi-annual index review, while PSX would be inducted in the EM Index in June 2017.

The PSX has already been declared as the Asia's best performing equity market and the fifth best in the world in 2016 as it disbursed a total annual return of 45.7 percent.

Companies, reflecting highest gains, included Sanofi Aventis, up Rs94 to end at Rs1,992/share and Sapphire Fiber that rose Rs54.62 to close at Rs1,147.12/share.

Companies, with highest losses, included Rafhan maize, down Rs75 to close at Rs7,125/share

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and Unilever Foods that fell Rs49 to end at Rs6,201/share.

Highest volumes were witnessed in K-Electric with a turnover of 29.224 million shares. The scrip shed six paisas to end at Rs8.18/share. Engro Polymer was the second with a turnover of 27.638 million shares. It gained 51 paisas to close at Rs26.18/share. TRG Pakistan was the third with a turnover of 20.966 million shares. It gained Rs2.33 to finish at Rs52.83/share.

THE NEWS
Friday, 21st April, 2017

Govt, FPCCI negotiating two percent cut in sales tax

KARACHI: The government and business community are discussing to reduce sales tax by two percent to 15 percent from the existing 17 percent to provide relief to the masses and bring more industrial units into the tax net, sources in the Federal Board of Revenue (FBR) said on Thursday.

After agreement on the issue, the government would incorporate the reduced rate of sales tax in the Finance Bill 2017 for formal approval from the parliament, they added. The sources said the ministry of finance, FBR and the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) discussed the issue in detail. The FPCCI had proposed reduction in the sales tax to 14 percent. However, on the argument of the FBR regarding impact of tax collection the FPCCI agreed on 15 percent.

An official at the FBR said the issue is still in discussion and soon will be finalised. Since the upcoming budget would be presented in the election year; therefore, the ruling party is eager to provide relief to the masses, he added.

Sources in the FPCCI said the government has also been proposed to eliminate evasion in sales tax regime, which has been done through bogus input-output adjustments.

In this regard, it was proposed the government should bring down the sales tax to a single-digit and prohibit any adjustment and refund claims. It is also proposed to levy one percent value addition tax on every stage of supply chain.

Two years ago, the FPCCI had presented its shadow budget and urged the government to reduce the sales tax rate. The FPCCI, giving rationale of the reduced sales tax rate, argued that the reduction in the sales tax rate would accelerate economic activities and improve efficiencies.

The reduction in the sales tax rate will enlarge the size of consumer markets and the government earnings will definitely increase. It has been identified that the FBR has indicated less than five percent of the effective tax rate of sales tax, which indicated that 71 percent of the total collection of sales tax has to pay back in account of input adjustment and refund claims.

The FPCCI sources said the FBR's reservation that the reduction of sales tax rate would impact revenue collection is not correct. In fact, the collection would increase with the reduced tax rate, they said, adding, additional taxes would be collected by amending the rate, while the remaining incremental tax revenue will be collected through additional sales volume because of the reduction in market price.

THE NEWS
Friday, 21st April, 2017

Cotton unchanged

Karachi No trading activity was witnessed at the Karachi Cotton Exchange on Thursday, keeping the spot rates unchanged.

The spot rates 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 there was no activity in the market, as traders alongside the whole nation, awaited the Panama Papers decision by the Supreme Court of Pakistan.

“In anticipation to any reaction on the decision, activity remained suspended,” he added. The decision to form a joint investigation committee would be in favour of the market activity, as the budget was ahead and any derailment of the government would have affected the cotton market, as well, the analyst said.

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Govt won't pursue new NFC Award

Our Staff Reporter

LAHORE - Senior economist and former Finance Minister of Pakistan Dr Hafeez Pasha said that the incumbent PML-N government will not pursue a new NFC Award. Speaking on the occasion of the 2nd Consultative Session of the National Finance Commission Award organised by the PRIME Institute, Dr Hafeez Pasha called for decentralisation of the tax regime and harmonisation of the tax rate to overcome chronic problems of the NFC.

Dr Pasha stated that it is imperative that the horizontal sharing formula of the NFC Awards be updated after the census. He proposed that 60 to 70 percent of the divisible pool should be allocated to low income provinces because the current award is not equitable.

He called for creating incentives not only for resource generation but also for the allocation of resources. He also proposed that conditional grants should be provided to those working on priority areas of the Federation such as education and health. Former Finance Secretary Abdul Wajid Rana, who was moderating the discussion, said that India has now introduced their 14th NFC award, while Pakistan is only on its 7th Award. He pointed out that after the 18th amendment, the share of provinces could not be lower than what has been determined in the 7th NFC Award.

Dr Ikramul Haq, author of the book Towards Flat, Low Rate, Broad and Predictable Taxes, said that taxation rights are not distributed fairly between the provinces and the Centre. He noted that disputes between provinces and the center arise because provinces are not allowed autonomy to determine tax policy. He called for a clear demarcation of jurisdiction to avoid conflicts over revenue between the units and the Centre. He expressed his concern at the immense level of double taxation in the system, and called for major sales tax reform.

Scholar and businessman, Najaf Yawar, during the question answer session, said that the Pakistani government needs to identify the optimal level of taxation. He said that if provinces were to compete on tax rates, smaller provinces would choose low rates to attract investment.

Legal academic at LUMS and former president of the Pakistan Bar Association Zafar Kalanauri said that because Pakistan has a low literacy rate, the tax system needs to be extremely simple for compliance.

Saad S Khan of the National School of Public Policy was of the opinion that the allocations made in the current NFC award are not inequitable. He cited that Balochistan's budget has increased over 1000 times since 1982, much faster than any other province. He said that apart from NFC Award revenues, smaller provinces received a greater share of development spending. Business community representative Zahid Hussain was of the opinion that 16 percent is not a viable rate for sales tax, and noted that many consumer products lose value for buyers at such a high rate. People who are not even taxable are paying taxes in the form of withholding taxes.

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Friday, 21st April, 2017

'Blame game after Panama verdict will affect economy'

Zamir Sheikh

KARACHI - Undue protests and blame game for political mileage in the aftermath of the Supreme Court judgement in Panama case is likely to have a negative impact on the economy and dilute achievements of the CPEC, renowned economist Dr Shahid Hassan Siddiqui told The Nation on Thursday.

He said it was crystal clear that after the judgement in the Panama case, political parties, especially the Imran Khan-led PTI, would continue to pursue the policy of "blame game" with more force and enthusiasm instead of trying to prove the allegations against the prime minister and his family. They should come up with strategies to overcome serious challenges confronting the economy and security.

He said it appeared that the PTI in the coming days would back out of its repeated commitment that it would accept the Supreme Court verdict in the Panama case and would criticise the judgement, particularly formation of the joint investigation team (JIT).

Replying to a question about the next general elections, Siddiqui said that unfortunately 2018 elections would be contested on blame game rather than real issues. He said it must be recognised that real objectives of the petitioners in the Panama case were not recovery of the so-called plundered money but the objectives were to gain political mileage. Otherwise, he said, the key point in the petitions should have been recovery of the plundered money kept in Pakistan known as "Domestic Panamas" in the form of properties, shares, bank deposits, government securities, national saving schemes and vehicles, etc. This would have generated a revenue of about Rs2,000 billion and exposed the culprits, including politicians, he said. He said that a request should have been made in petitions for abolition of 111 (4) of IT Ordinance, which practically provided legal protection to plundered money, and for abolition of existing tax amnesty scheme for properties.

Dr Siddiqui said, as political parties are likely to launch serious protest movements against the government, it will lead to more political instability and have a negative impact on the economy and investment climate and accelerate transfer of capital. The inflation will also go up and hurt the common man, he said.

The Stock Exchange has already shown a tremendous upward trend, but this will be unsustainable due to uncertainties and protests. It must be recognised that due to huge investment in early harvest projects by China under CEPEC, the GDP growth rate would show an upward trend in FY 2018, FY 2019 and FY 2020, but this would be lower than potentiality due to unhealthy political climate. The exports would also show upward trend but comparatively at a slower rate due to the protest movement.

Regarding formation of a joint investigation team (JIT) by the Supreme Court, he recalled that a serious Stock Exchange crisis was engineered in Pakistan in 2005 and its record was available. The American forensic company "DILIGENCE", which was entrusted with the job to fix the responsibility and which got millions of dollars in fees, failed to give a conclusive report and fix the responsibility.

He said that practically documents and record was not available in the Panama case and the members of the JIT did not have the knowledge, experience and expertise like that of the US forensic company. It is therefore apprehended that the JIT report may not be able to fix the responsibility.

Incidentally, it may be mentioned that the Supreme Court in 2007 had taken suo moto notice of unprofessional write-off advances by banks and subsequent issuance of illegal circular no 29 of 2002 by the SBP, but despite lapse of 10 years a judgement has not been announced, notwithstanding there are reports that a portion of the amount written-off was transferred abroad through Hundi/Hawala system. An earlier judgement could lead to repatriation of this looted money from abroad.