News Alerts

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Taxation: *Pakistan*

Invoices issued by non-active, blocked persons: no input adjustment under Punjab Sales Tax on Services Act: PRA

July 27, 2012

Punjab Revenue Authority (PRA) has categorically conveyed to the service providers that no input tax adjustment would be admissible under the Punjab Sales Tax on Services Act against invoices issued by persons who have been declared non-active or blocked or suspended by the Federal Board of Revenue (FBR).

According to the frequently asked questions (FAQs) issued by the PRA here on Thursday, no input tax adjustment shall be admissible under the Punjab Sales Tax on Services law against invoices issued by persons who have been declared non-active or otherwise blocked in the computer system or suspended by the FBR. However in cases where a suspension of any registration has been restored and it is proved that suspension was unjustified, input tax adjustment shall subject to the prescribed conditions and restrictions become admissible on post facto basis immediately after restoration of the suspended (or even cancelled registration). The rules relating to registration and deregistration, and adjustment of tax take care of such situations.

The PRA said that the input tax paid on the purchase of goods or acquisition of services used exclusively in rendering of taxable services shall be admissible in terms of the Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012 read with section 16 of the Punjab Sales Tax on Services Act, 2012. The said rules, however, provide for certain conditions and restrictions on the admissibility of adjustment of input tax paid on certain goods or services.

The input tax adjustment shall be limited to the extent of taxable services. Where a person is providing both taxable and exempt or non-taxable services, adjustment shall be confined to the extent proportionate to the quantum of taxable services. For this purpose, apportionment formula has been incorporated in the Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012. The deduction of admissible adjustment of input tax shall be made at the time of filing of tax return wherein the output tax liability shall be reduced to the extent of input tax admissible for adjustment under the aforesaid rules.

The PRA said that said that certain kind of services like marine insurance for export, life insurance, health insurance and crop insurance have been exempted from sales tax under the Punjab Sales Tax on Services Act, 2012.

The PRA said that under section 2 (38), definition of "service or services" is available, which says that service means anything which is not goods or providing of which is not a supply of goods and shall include but not limited to the services listed in the First Schedule of the

Punjab Sales Tax on Services Act, 2012. For clarification purpose, an explanation has been added to the said definition, which says that a service shall remain and continue to be treated as service regardless whether or not rendering thereof involves any use, supply or consumption of any goods either as an essential or as an incidental aspect of such rendering. The services which are liable to sales tax are listed in the Second Schedule. The services which are covered under the First Schedule but are not included in the Second Schedule are non-taxable services. However, in the Second Schedule there are certain exemptions within the taxable categories of services. For instance in case of advertisements on television and radio, the advertisements sponsored by the Federal and Provincial governments for health and education purposes are exempted. Similarly in case of insurance, marine insurance for export, life insurance, health insurance and crop insurance are exempted.

Responding to a question about treatment of previous carried forward amount/refund available with the FBR, PRA said that no input tax adjustment shall be admissible to the input tax carried forward from the period prior to the commencement of the Punjab Sales Tax on Service Act, 2012. The PRA has also informed the service providers that no exemption threshold is applicable in case of services taxable under the Punjab Sales Tax on Services Act, 2012 except hotels for which exemption threshold would be issued through a notification.

It said that the government of Punjab will however, consider to prescribe suitable exemption threshold in case of services provided by hotels in terms of sub-section (3) of section 10 of the said Act. Notification in this regard shall be issued shortly.

To another question, the PRA said that section 4 of the Punjab Sales Tax on Services Act, 2012 is based upon a universally recognised and fundamental principle of VAT, ie in case of taxable services provided from one territory and consumed in another territory, the right to tax vests with the Authority of the territory where service is consumed. VAT is not concerned with the source or locale of payment of the price of the service. In broader terms, this principle is also applicable in international trade. Under VAT, exports to other countries are zero-rated by the exporting country and imports are charged to tax by the importing country. In countries where VATs are administered at sub-national levels, reciprocal zero-rating of trade of goods or services between sub-national units is allowed only if the tax authorities of the concerned sub-national units agree. In Pakistan, no such agreement exists between the two provinces (Sindh and Punjab) which are collecting and administering sales tax on services at their own respective ends.

Hence no input tax adjustment has been allowed against output tax payable under section 4. That being so, the aforesaid section 4 envisages two scenarios of the situation where a service provider is located outside Punjab but service consumer is located in Punjab, namely: Where service provider is registered but service recipient is not registered and where both service provider and service recipient are registered.

Where a person is registered for sales tax purposes under the law other than the Punjab Sales Tax on Services Act, 2012, such person shall send electronic or other intimation to both PRA and PRAL giving the basic particulars of his existing registration. PRAL will retrieve his all registration data from the computer system of FBR or SRB as the case may be, add prefix "P" to his registration number and allow him access to PRA's portal where upon he will be in position to file his returns and make tax payments to the Punjab Government. In this way, answer to the aforesaid two scenarios is as under:

In cases where both the service provider and the service recipient are registered, the responsibility to deduct and deposit tax and file return will be with the service recipient. In cases where service recipient is not registered, the responsibility to charge/pay tax and file return will be with the service provider. Non-compliance will attract legal action by PRA, PRA added.

Relaxation in input tax adjustment offered: PRA empowered to conduct taxpayers' audits

July 27, 2012

The Punjab Revenue Authority (PRA) on Thursday obtained powers to conduct audits of registered persons, where the Federal Board of Revenue (FBR) has not commenced audit proceedings even for the period prior to the commencement of the Punjab Sales Tax on Services Act of 2012.

In a related move, PRA informed the services' sector that the credit of input tax could be taken relating to the invoice issued under the Punjab Sales Tax on Services Act, 2012 not older than six months. Earlier, PRA clarified that under Section 32 of the Punjab Sales Tax on Services Act, the standard or normal period for retention of sales tax records was five years and the competent PRA officer could call for record maintained either under the said Act or any other law for official purposes. Provisions for departmental audit are given in Section 33 of the aforesaid Act.

Under Article 264 of the 1973 Constitution read with Section 4 of the Punjab General Clauses Act of 1956 and Section 87 of the Punjab Sales Tax on Services Act of 2012, the recovery of sales tax arrears on relevant taxable services shall continue to be effected by the FBR unless the government of Punjab specifically undertakes to realise such arrears at its own level.

It is however, clarified that the Punjab government has so far not taken any decision in this regard. Deposit of such arrears shall nevertheless, be made with the Punjab government on prescribed return on PRA portal. Under Section 87(2) of the Punjab Sales Tax on Services Act, 2012, pending adjudications, including appeals etc, shall be decided by officers/authorities previously competent to decide such adjudications. These officers/authorities shall accomplish the outstanding adjudication work as if the Punjab Sales Tax on Services Act, 2012 had not come into force, PRA maintained.

Meanwhile, PRA informed the services' sector that the credit of input tax can be taken relating to the invoice (issued under the Punjab Sales Tax on Services Act, 2012) not older than six months. The PRA clarified to the service providers through FAQs here on Thursday that under Sub-Section (4) of Section 10 of the Punjab Sales Tax on Services Act, 2012, credit of input tax can be taken relating to the invoice (issued under the said Act) not older than six months. This is a general relaxation.

However, on the expiry of six months period in case of any particular input tax invoice, the unclaimed adjustment or deduction can still be made in the returns of the succeeding four tax periods under intimation to the concerned Commissioner of PRA. Thus, in case of any particular invoice accumulated extended period in claiming input tax credit is ten months, ie six months prior to the return in which the credit could be last taken but was somehow not taken and four months after filing of such return.

In this way, an input tax invoice remains admissible for adjustment or credit for ten consecutive months but intimation to the Commissioner is must if adjustment or credit is taken after expiry of six months from the tax period (inclusive) to which tax invoice relates. This is, of course, an extraordinary facility to the taxpayers and will also take care of late-received invoices.

The PRA added that under the Punjab Sales Tax on Services Act, 2012, no direct zero-rating is available in respect of any taxable services. Export of taxable service as such is not liable to tax. However, in view of the provisions of Sections 12 and 16, the export of taxable services outside Pakistan has been allowed the facility of refund under Chapter IV of the Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012.

Taxable service shall be treated as having been exported if its delivery has been consummated for consumption outside Pakistan against receipt of its price in convertible foreign exchange through declared banking channels and use/supply or consumption of any goods in the export-related rendering of such service has been treated as zero-rated under the Sales Tax Act, 1990. PRA will refund only such amount of tax as has been paid on any service under the Punjab Sales Tax on Services Act, 2012 used in the providing of the exported service. A complete procedure of refund has been prescribed in the aforesaid rules.

FBR solicits stakeholders' comments: SRO issued on rules for calculating CGT

July 27, 2012

Stock market brokers, investors in stock exchanges and other stakeholders have been asked to submit their comments on 'special procedures for computation of capital gain and collection of tax' to the Securities and Exchange Commission of Pakistan (SECP) and Federal Board of Revenue (FBR).

In this connection, the FBR issued an SRO902(I)/2012 here on Thursday to amend the Income Tax Rules of 2002 pertaining to 'Special provisions relating to Capital Gain arising from the disposal of securities of listed companies and tax thereon'. The provision was introduced through the insertion of Section 100B and a new Eighth Schedule through Presidential Ordinance dated April 24, 2012. It also stipulates that the rules for computing capital gain tax have been laid down in the Eighth Schedule. Draft amendments in the rules have been vetted by the Law Division and would be sent to the Printing Corporation of Pakistan after incorporating views of all stakeholders, FBR added.

According to SRO902(I) /2012, the draft of certain amendments in the Income Tax Rules, 2002 has been published for information of all persons. The draft will be taken into consideration after 15 days of its publication in the official Gazette. Any objection or suggestion, in respect of the said draft which may be received from any person, before the expiry of the aforesaid period, shall be considered by the FBR.

Sources said that the CGT rules have been drafted in active consultation with the SECP and any comments relating to the capital market could also be shared with the SECP. After the vetting by the law ministry, the Federal Board of Revenue (FBR) has placed the amended draft of Capital Gains Tax on its website, soliciting public comments.

The draft law authorised the National Clearing Company of Pakistan Limited (NCCPL) to collect taxes made on profits during the purchase and sale of shares in capital markets, and the NPCCL will be responsible to deposit the tax collected to the FBR.

Sources said that the new amendment laid a major emphasis on automation and minimising human interaction in collection of CGT. The collection procedure has been further simplified under the draft rules. The CGT will not be liable on shares that have been retained by investors for more than 12 months (one year), while the base of computation will be April 24, 2011. The time of holding will be calculated from April 24, 2011 for the shares sold after April 24, 2012.

The draft law said: "NCCPL shall, in accordance with this rule, collect tax on capital gains," and added, "These rules shall apply to capital gains derived from listed securities on or after the 24th April, 2012." According to the draft rules, the capital gain or loss arising on the disposal of listed securities shall be computed on the basis of First-In, First Out (FIFO) inventory accounting method: Provided that while applying FIFO method, market based transactions shall be taken into account first: Provided further that the FIFO method shall not apply in respect of sale of shares purchased on the same trading day or in same futures or derivative contract and capital gain or loss shall be computed by applying average method.

The capital loss arising on disposal of listed securities as determined by NCCPL in any financial year shall be set off against capital gain arising from the disposal of securities during that financial year to determine the taxable capital gain arising from the disposal of listed securities. The capital loss arising on disposal of listed securities in any financial year shall not be carried to a subsequent financial year.

NCCPL shall deduct or add 0.5 per cent for client's trade and 0.25 per cent for broker's proprietary trade of the consideration received on disposal or cost of acquisition of securities, respectively, in lieu of brokerage, commission, transaction fee, levy, Laga or any other similar incidental expenses incurred by the person while disposing or acquiring a security, subject to the condition that such deduction shall only be allowed in respect of market based transactions, draft rules added.

NCCPL shall issue certificate as provided in clause (4) of rule 1 of the said Eighth Schedule, as set out in Part I of Rule 13O, showing computation of capital gains and tax thereon, if any, to each person subject to tax under the said Eighth Schedule within thirty days from the end of the financial year. NCCPL shall furnish electronically to the Board, a quarterly statement of amount collected, within thirty days from the end of each quarter as set out in Part II of Rule 13O, FBR said.

FBR chairman to brief PAC about taxation measures

July 27, 2012

Federal Board of Revenue (FBR) Chairman Ali Arshad Hakeem in his first interaction with the Public Accounts Committee (PAC) on August 6, 2012 would share achievements in revenue collection, progress in different areas and landmark reforms in the tax machinery during 2011-2012 with the parliamentarians. In this connection, the FBR has issued an office order to all FBR members here on Thursday.

Sources told *Business Recorder* here on Thursday that the newly elected Chairman would brief the PAC about the revenue collection position, operational strategies, administrative reforms, enforcement measures, audit, recovery of input tax adjustment and results of the reforms in the tax administration. Tax authorities have directed the FBR members to submit report on the achievements of the FBR during 2011-2012. The FBR will brief the PAC about the key taxation issues like recovery of arrears, input tax adjustments, implementation of reforms, simplification in tax procedure and position of court cases.

It is expected that the FBR team of tax managers headed by top tax manager Ali Arshad Hakeem would inform the PAC members about his vision and policy measures to be adopted for bringing transparency in the affairs of the FBR. The tax managers would also share data with the PAC to give a realistic picture about the payment of sales tax and income tax refunds to the taxpayers. The refund payment is the most crucial issue and the FBR Chairman is expected to share figures about the payment of refund to the registered units.

Tax managers would also inform the PAC about the focus of the department on taxpayer's facilitation and enforcement. Sources said that the FBR Chairman would be fully prepared to respond to the queries of the PAC members by taking input from all concerned members. Tax authorities believed that the tax machinery should behave in a manner to attract the people having black money to come within the documented regime as this is the only way to broaden the tax base for generating more revenue. The sizable black economy exists in the country and FBR as a most important organisation should work in a manner so that the people should shift from black economy to white economy. In Pakistan, entrepreneurship is very difficult for carrying out businesses. The tax officials should facilitate people in such a way that the people prefer to voluntarily shift from black economy to white economy. Through facilitation and easy to understand tax laws, the FBR can attract people to switch over from black economy to white economy.

Sales of cosmetic products of non-tariff areas in tariff areas: major flaw detected in Sales Tax Act 1990

July 27, 2012

A major flaw of check and balance has been detected in the Sales Tax Act 1990 regarding sales of cosmetic products produced in non-tariff areas of Swat and Mingora in tariff areas of Pakistan, causing huge revenue loss to the national exchequer. Sources told *Business Recorder* here on Thursday that the FBR had abolished the federal excise duty (FED) on cosmetic products in budget 2012-13.

This move has also abolished the FED on the cosmetic manufactured in non-tariff areas of Swat and Mingora. Likewise, Sales Tax Act is also not applicable on these non-tariff areas. There is no exemption of sales tax on cosmetics brought to tariff areas (ie rest of Pakistan), therefore sales tax should be chargeable on cosmetic products when enter into the territorial jurisdiction of tariff areas. However, since there is no proper check and balance in place and no proper modalities were provided/clarified anywhere, the point of charging sales tax on movement of goods from non-tariff areas to tariff areas of Pakistan did not arise.

The due amount of sales tax thus seems to remain unaccounted which cause loss of revenue to the exchequer. On the other hand since the cosmetic manufacturers in tariff areas have to pay the due amount of sales tax, the situation put them in a disadvantageous position as they cannot compete with the cosmetic manufacturers paying no sales tax or FED in Swat and Mingora and operating from there in whole of Pakistan.

Sources said that the cosmetics' manufacturers of non-tariff areas of Swat and Mingora had paid a fixed amount of Federal excise duty (FED) for the last many years. The cosmetics' manufacturers of non-tariff areas and the board had inked an agreement for payment of fixed amount of FED in 2006-2007. Swat and Mingora are part of Provincially Administered Tribal Areas (Pata) where Federal Excise Act, 2005 and Sales Tax Act, 1990 are not applicable. Every year, these manufacturers renew the agreement to pay a fixed amount of duty, which was made part of the overall revenue collection under the head of the FED.

In the past, the tax authorities and cosmetics manufacturers, representing 16 units of non-tariff areas, had agreed to collectively pay fixed amount of the FED. The total amount of FED was divided into 12 instalments to be paid on monthly basis.

In the past, some unscrupulous elements had earned income by charging consumers full amount of duties and taxes on various items including soap and cosmetics at the prescribed rate but actually paying taxes to the government on fixed-amount basis, which is much less than the amount realised from the consumers and termed such 'agreements' between the tax officials and persons involved in this trade as a wheel to evade taxes.

Cigarette manufacturers: FBR accused of introducing complicated FED system

July 27, 2012

SOHAIL SARFRAZ

The Federal Board of Revenue (FBR) has introduced a very complex 'slabs system' of the Federal Excise Duty (FED) for the cigarette manufacturers which has only benefited the multinational companies with stagnation in the incidence of taxes ie sales tax/FED on most popular brands of the product. Tax experts told *Business Recorder* here on Thursday that the multinational companies and the FBR had deliberately implemented a very complicated excise duty system to charge less amount of FED on popular brands of cigarettes.

The existing taxation system of the FED is so complicated which only give maximum benefit to the cigarette manufactures. Prior to budget (2012-2013), World Health Organisation (WHO) has recommended that the FBR should abolish the existing FED charged on the basis of threshold and slabs of the FED for different brands of cigarettes. All brands be treated at par instead of tier system, there should be one system which ensure revenue for the government, help FBR in ensuing compliance and easy to comprehend by all stakeholders. Due to unknown reasons, the FBR fully endorsed the complicated excise regime which facilitates the leading multinational companies. Tax officials and the cigarette manufacturers have made the excise duty structure in such a manner that ordinary consumer would be totally confused while understating the techniques used for imposition of the excise duty on cigarettes. One of the reasons for implementing a confusing tax system for cigarettes is that some of retired bureaucrats have been hired by multinational companies having connection in government circles and policy makers.

Recently, it has been reported that the foreign companies have transferred an amount of over $1 billion aboard on account of profit and dividend during the last fiscal (2011-12). The repatriation of profit and dividend by foreign companies is again on rise and they are repeatedly transferring their profits and dividends. The foreign investors have repatriated nearly $1.061 billion on account of profit and dividend in fiscal 2012 against $758.3 million in fiscal 2011, depicting an increase of $303 million.

On the other hand, multinational companies in the tobacco sector are using different techniques to ensure minimum increase in incidence of taxes on cigarettes. When contacted, a tax official, who have done research on cigarette industry, explained that firstly the existing tax structure should be simple. The present tax structure is complicated and favors to the multinational companies. The incidence of taxes on lower brands should be higher as compared to existing structure.

The incidence of sales tax and federal excise duty on cigarette has not been increased at par with the globally applicable tax rates on popular brands. Globally, there is a standard that the incidence of tax on cigarettes should be at least 70 percent as the cost of production of this commodity is very low.

The incidence of sales tax and FED on the strong brands of cigarette could be termed as stagnant in Pakistan as compared to other countries where incidence of taxes goes up to 70 percent. In Pakistan, if the incidence of sales tax/FED was 42 percent on a specified brand, it has been increased to 45 percent and then 52 percent on annual basis. However, even the incidence of sales tax/FED has been taken up to 60 percent it is still very low as compared to the 70 percent. The technique used by the multinational companies is to re-adjust the middle slabs with upward adjustment in price. In this way, the incidence of the sales tax and the FED has not been increased, but the price has been increased for popular brands to ensure that the incidence of taxes should remain on the lower side. "Resultantly, the FED has been increased in terms of rupees, but in term of percentage, the incidence of the FED did not increase. Apparently, the excise duty has been increase due to increase in price of cigarettes, whereas the incidence in actual terms of percentage has not proportionately increased, he added.

If the incidence of taxes is 70 percent on a specific brand, the technique is to ensure incidence of tax of 50 percent or 60 percent on most popular brands. If the market is captured by two popular brands, their actual incidence of taxes would not be increased at par with the global prevailing rates of taxes. This has been done by increasing prices linking with the FED, but the direct incidence of taxes has not increased.

Official said that the multinational companies have also adopted another technique to discourage introduction of new brands by local units of Mardan etc. This has been done by fixing a minimum price for launching of a new brand. A new brand cannot be launched unless of until a specific price has been fixed which discourages local units to introduce new brands.

When asked about complexity of the tax structure on cigarettes, sources said that the Board has done different experiments in the past since 1988. Sometimes, it was tried to fix tax on the ad valorum basis and sometimes it has been fixed on the basis of specific amount. As there is advancement in different counties, the incidence of taxes has to be increased at par with the global practice. However, the existing structure is very complicated which needs to be simplified. It is in the favour of the tobacco sector to continue with the existing tax slabs structure. For this purpose, in budget (2012-13), the FBR has enhanced tax incidence on cigarettes by revising upward price tiers, official added.

Experts said that the FBR had received proposals from different quarters including WHO to introduce the concept of tax stamping on each pack of cigarette to know about the exact number of sticks and packets manufactured by the units. It is a very easy way of documentation of each and every packet of cigarette produced in Pakistan. In this way, the FBR or Ministry of Finance would be able to implement the track and tracing system of the manufactured items cleared from the factories. The two multinational companies are strongly resisting the proposal of implementing tax stamping or band rolling on cigarette packs. Besides, tax stamping, the multinational companies are also against the restoration of the supervised clearance system at factories. Both restoration of supervised clearance system and tax stamping are the most crucial steps to counter tax evasion in the cigarette industry, experts added.

In the past, World Health Organisation (WHO) had expressed serious concern over nominal increase in the federal excise duty (FED) on cigarettes and withdrawal of excise duty on cigarette rods in budget 2012-13.The government has abolished the FED on filter rods used in manufacturing of cigarettes in budget (2012-13). It is unclear that how such a big facilitative measure has been given to the cigarette manufacturer with no major increase in the incidence of taxes on cigarettes. Instead of simplifying the tax collection system from the industry, the cigarette manufacturer particularly multinational companies were given relief.

Taxation: *World*

US Senate approves tax cut for middle class, not wealthy

July 27, 2012

The US Senate approved a Democratic plan Wednesday to extend expiring tax breaks for all but the wealthiest Americans, though the measure is unlikely to resolve the country's looming fiscal impasse. Republicans want the Bush-era tax cuts extended for all, arguing that Congress should not raise taxes on anyone when the economy is as sluggish as it is now, but their measure to do just that failed and the chamber passed the Democratic bill instead.

By a 51-48 vote, lawmakers voted to extend the tax cuts for all American families making less than $250,000 per year. The bill would mean those making more than that figure would pay higher taxes in 2013. The vote was a Washington political showdown of the first order, with Vice President Joe Biden appearing in the Senate in the event he was needed to break a tie, after two in the Democratic caucus - Joe Lieberman and Jim Webb - said they would vote no on the measure and two others were undecided.

"The American people got a ray of hope today that they are going to be protected," Senate Majority Leader Harry Reid told reporters after the vote. He also pointed to polling which suggests a majority of Americans, including Republicans and the very rich, support letting the tax cuts expire for the very wealthy. The bill, however, is likely to fail in the Republican-controlled House of Representatives, ensuring that the debate and jockeying over taxes carries on into the campaign season, and perhaps even beyond November's general election.

"We all know this is not about the economy. We know this is about the election," Senate Minority Leader Mitch McConnell said. President Barack Obama, who signed a two-year extension of all Bush-era tax cuts in late 2010 after a bitter struggle but said he would veto such a measure this year, said the pressure was now squarely on the Republican House leadership to approve what would be tax breaks for more than 100 million families.

Business & Economy

SC allowed railways to purchase Chinese locomotives: LHC told

Thursday, 26 July 2012 19:02

Written by Asad Naeem

LAHORE: The Lahore High Court was informed on Thursday that the Supreme Court had examined the purchase of Chinese locomotives through a suo motu case and allowed railways to proceed further in accordance with PPRA rules.

These submissions were made by Pakistan Railways counsel while submitting a reply in petition challenging purchase of 79 Chinese railway engines from a blacklisted company. The Single bench comprising Chief Justice Umar Ata Bandial was hearing the matter.

The counsel further told the court that investigations were in progress about allegations into scrap scandal. However, it had not been proved, he added.

The counsel pleaded the court that the present proceedings were unnecessary as the Supreme Court opinion on the issue had come. He pleaded the court to set aside the petition.

However, the court adjourned the matter till October 9 as the petitioner counsel was not present to record his submissions.

The court directed railways counsel to place on record material to substantiate his arguments.

The petition was filed by Feroze Shah Gillani advocate, submitting that railways adminstration signed a contract to purchase 79 engines from a blacklisted company.

The petitioner-advocate stated that public procurement authority (PPA) disapproved the proposed decision but it's recommendation were ignored by the railway authorities.

He said Pakistan Railways had made Rs 15 million down-payment to the blacklisted company which was an illegal step.

He prayed the court to take notice of locomotives purchase from a blacklisted company and directions be issued to restrain railway authorities from moving ahead with agreement.

Efforts being made to promote livestock in Balochistan

Thursday, 26 July 2012 19:02

Written by Asad Naeem

ISLAMABAD: Livestock and Dairy Development Department of Balochistan has taken a number of steps for the promotion of livestock sector in the province.

"A number of projects worth millions of rupees have been either completed or ongoing to increase the productivity of livestock, through interventions of modern technologies, husbandry animal health , research and management for poverty alleviation in the province", Muhammad Naseem Lahri Secretary Livestock Development Balochistan told APP.

Highlighting mission of the department, he said it was to ennsure expansion of animal health coverage, development of dairy industry, preservation of pure breed, veterinary education and research and poverty alleviation in the province.

He said it also aimed at women empowerment in rural poultry, veterinary services and household dairy technologies.

Further elaborating livestock situation in Balochistan, Muhammad Naseem Lehri said the province is ecologically arid and semi-arid and its contribution to GDP is 11.49 percent while its contribution to the economy of Balochistan was more than 47 percent.

He said Balochistan is under nomadic, sedentary and transhumant system and livestock has been considered a financial security in case of crops failure.

"Animal is a mobile bank for a Balochistan family and a family without the animal is said to be the poorest", he added.

Lehri said according to livestock census in Pakistan 2006 total number of animals were registered 138.09 million out of which in Balochistan the number were registered at 27.54 million or 20.01 percent animals in the provinces.

The Provincial Secretary Livestock and Dairy Development said according to 2010 census the percentage increased to 30.60 percent showing a growth of 11.27 percent in the province.

Lehri added that Construction of 6 veterinary dispensaries at PB-19,Installation od Tube Well/completion of Slaughter House Bypass Quetta and provision of modern health equipments at 6 veterinary hospitals in the provinces were some of the major projects undertaken by the department in the province.

Cotton and Textiles: *Pakistan*

Increased arrivals push down cotton prices

July 27, 2012

DR ZAFAR HASSAN

0 Comments

Increased seedcotton (Kapas/Phutti) arrivals, particularly from Punjab for the new crop (August 2012-July 2013) together with lower advice from the New York cotton futures market (ICE) have slumped domestic cotton prices this week in the ready market. Thus our lint market is quite weak and subdued at present. However, a positive factor being reported is that the quality of cotton being received by the mills is good.

Seedcotton (Kapas/Phutti) prices decreased by Rs 50 to Rs 100 per 40 Kgs in Sindh, while in the Punjab they are said to have gone down by Rs 300 to Rs 400 per 40 Kgs. from the beginning of this week. Lint prices fell by Rs 300 to Rs 350 per maund (37.32 Kgs) in Sindh this week, while in the Punjab they reportedly fell by Rs 350 to Rs 400 per maund in an easy market.

Seedcotton prices in Sindh are said to have ranged from Rs 2,600 to Rs 2,650 per 40 Kgs on Thursday, while in the Punjab they reportedly ranged from Rs 2100 to Rs 2400 per 40 kilogrammes. Lint prices in Sindh are said to have ranged from Rs 5,600 to Rs 5,650 per maund (37.32 Kgs), while in the Punjab they reportedly ranged from Rs 5,500 to Rs 5,600 per maund. Ginners were said to be easy sellers while the mills were said to be buying sparingly.

Now nearly fifty ginning factories in Sindh and about 110 factories in the Punjab are ginning the new crop (2012-2013). About 17,000 or 18,000 bales of cotton are being rolled out of the ginning factors daily. Traders estimate that more than 200,000 bales of new crop cotton have been pressed already.

Generally speaking, the new crop (August 2012-July 2013) cotton output in Pakistan could range from 14 to 15 million domestic size bales on an ex-gin basis, from which the Pakistani mills could consume between 14 and 14.5 million bales. Exports could range from half a million to one million bales, while imports could range from one to 1.5 million bales. Of course the weather would remain a prime determinant in the total output of cotton. The domestic textile mills are doing alright even though they face formidable problems to make the two ends meet.

Due to the ongoing fasting month of Ramazan, business activity is traditionally low. Sale of 2,000 bales of cotton from such Sindh stations like Mirpurkhas, Shahdadpur, Tando Adam, Sanghar and Kotri was reported between Rs 5,650 to Rs 5,700 per maund. Mills are said to be buying slowly.

Reports of some difficulty in shipping cotton to India contracted earlier due to registration problems are also having a bearish effect on the prices of cotton. Also, some observers believe that subject to the vagaries of the weather, Pakistan could produce even more than 15 million domestic size bales during the new season (August 2012-July 2013). Having burnt their fingers last season (2011-2012), some buyers are hesitant to venture into distant futures contracts of cotton due to ongoing global macroeconomic problems as well as a large volatility factor in the commodity complex.

On the economic and financial front, despite the flimsy and token rise seen on the equity markets this past Wednesday on news of a possible stimulus on the United States Federal Reserve initiative, the economic condition around the globe is the worst seen since the past five years. Now it is not only the Eurozone which is the epicenter of the ongoing economic shocks, the contagion has travelled far and wide throughout the world. Moreover, the weak, mismanaged, outmoded and corrupt business institutions and the lack of their proper and adequate regulation has brought enormous muck to the public view.

Added to the manmade miseries piling up in the business and banking world, now the natural disaster of the American drought has engulfed the economic problems of the world. Besides the business and banking problems which have been pestering the world since half a decade and continue unabated and may be the worst seen since the 1930's which have put almost a billion people in joblessness, misery and misfortune around the world, the drought in the United States could put another one more billion people in dire hunger and homelessness globally in the near future due to increase in food prices.

Last several years have seen a definite down drift in the Eurozone, American and other economies which have now impacted the Chinese, Indian and even the Far Eastern economies drastically. While there were some hopes of an early revival in these economies, now it appears that any meaningful and lasting economic revival of the global economy will take many more years. One foremost obstacle to any early rehabilitation of the global economy is the outdated model or economic structure on which the global shipping, banking, business and futures selling of goods, monies and commodities are being traded. People have also lost faith in the once hallowed business, banking and government regulation of the entire corpus of economic functioning.

A few recent headlines in the media should suffice to show the scary scenario of the prevailing global economic health. According to one report, the American home sales recorded their biggest fall in more than a year in June as prices retreated to their downward trend resulting in a big setback to economic recovery. Reuters has reported from Paris that the number of jobseekers in France rose for the fourteenth month in a row in June to hit its highest level in nearly thirteen years. The hitherto sacrosant German economy has also started becoming vulnerable as the Eurozone crisis is denting its performance. Reports added that business sentiment in Germany fell in July 2012 to its lowest level in more than two years signifying that Europe's largest economy is losing steam and cannot remain immune to the Eurozone's deepening crisis.

Reports from Spain informed that its economic pain is persisting interminably. Thus the recession in Spain is now forecast to continue into 2013 and its unemployment figure is approaching 25 percent. Last week we learnt that the Fitch rating agency had cut the ratings of Japan's three biggest banks on fears of lack of Tokyo's disposition to support the financial sector following the cut in Japan's sovereign debt rating.

Now we have learnt that the British economy shrank much more than had been estimated during the second quarter of 2012 as recession continued its formidable hold despite all the hopes and fanfare attached to the London Olympics starting this month. Bank of England decided this week to pump another fifty billion pounds to stimulate the economy. To what purpose?

Cotton market: price decline continues despite hectic buying by mills

July 27, 2012

Trading improved on the cotton market on Thursday as prices showed further softness amid rise in seedcotton arrivals, dealers said. The official spot rate was lowered by Rs 100 to Rs 5600, they said. In the ready business over 13,000 bales of cotton changed hands between Rs 5500-5800, they said. The price of seedcotton in Sindh low type was higher at Rs 2600 and that of best quality was at Rs 2625, in the Punjab rates were down at Rs 2100-2400, they added.

Some brokers said that persisting increase in the phutti arrivals may cause fall in rates, but on the other hand, it also appeared that strong demand by mills would not allow the rates to come down sharply, they added. Some analysts said that the other factor behind the active mills demand was forward buying by mills to cover the post-Eid purchasing lapse.

Reports showing that tight cotton supplies in the local market and lower prices overseas have prompted Indian textile mills to ramp up imports, which are likely to treble in the year ending September 30, 2012. According to the Reuters, the NY cotton futures closed down and near a one-month low on speculative sales spurred by a drop below a technical level, brokers said.

The benchmark December cotton contract on ICE Futures US fell 1.52 cents or 2.1 percent to end at 69.51 cents per lb, trading from 69.40 to 71.70 cents. That was the lowest settlement for the contract in almost a month, Thomson Reuters data showed. Volume traded on Wednesday amounted to around 17,500 lots, about 50 percent under the 30-day norm, Thomson Reuters data showed.

The following deals were reported: 1400 bales of cotton from Shahdad Pur sold at Rs 5750-5800, 1000 bales of cotton from Tando Adam at Rs 5750-5800, 1200 bales of cotton from Mir Pur Khas at Rs 5700-5800, 1600 bales of cotton from Sanghar at Rs 5700-5800, 800 bales of cotton from Hyderabad at Rs 5700-5800, 200 bales of cotton from Sillanwali at Rs 5500, 200 bales of cotton from Mongi Bangla at Rs 5525, 200 bales of cotton from Pir mahal at Rs 5525, 200 bales of cotton from Garha Morr at Rs 5550, 800 bales of cotton from Burewala at Rs 5550-5575, 200 bales of cotton from Sadiqabad 5550, 200 bales of cotton from Mamo Kanjan at Rs 5550, 600 bales of cotton from Bahawal Pur at Rs 5550-5650, 800 bales of cotton from Gajjo Mandi at Rs 5575-5650, 200 bales of cotton from Haroonabad ar Rs 5550, 100 bales of cotton from Mian Channo at Rs 5550, 600 bales of cotton from Khanewal at Rs 5550-5750, 1000 bales of cotton from Vehari at Rs 5550-5585, 400 bales of cotton from Hasil Pur at Rs 5500-5550, 200 bales of cotton from Jahanian at Rs 5500, 200 bales of cotton from Shujabad at Rs 5575, 200 bales of cotton from Bahawal Nagar at Rs 5600, 200 bales of cotton from Lodhran at Rs 5550, 200 bales of cotton from Chistian at Rs 5700, 200 bales of cotton from Sahiwal at Rs 5700, 200 bales of cotton from Garh Maharaja at Rs 5750 and 200 bales of cotton from Kabbir Wala at Rs 5750.

Proposals on LNG import submitted to minister: APTMA

July 27, 2012

The Gohar Ejaz led committee has submitted LNG import recommendations to the Federal Minister for Petroleum Dr Asim Hussain for its formal approval from the Economic Co-ordination Committee (ECC), said spokesman of All Pakistan Textile Mills Association (APTMA).

It may be noted that the Prime Minister Raja Pervez Ashraf had constituted a high-powered committee of APTMA Group Leader Gohar Ejaz along with Federal Secretary Finance and Federal Secretary Petroleum to finalise recommendations on LNG import to meet energy shortage in Pakistan before coming winter.

APTMA spokesman said the committee has finalised the recommendations and submitted to the Federal Petroleum Minster in the shortest possible time for its early approval and implementation in the larger interest of the country. According to him, the Gohar Ejaz led committee has recommended the government to construct the terminal for import of LNG through the gas infrastructure development surcharge and authorise the SNGPL and the SSGC to import LNG as per their requirement to distribute locally.

APTMA spokesman said the textile industry has already been indebted to the Federal Petroleum Minster Dr Asim Hussain for his tireless efforts in resolving the energy problem of industry, particularly in Punjab. He said the textile industry in Punjab calls Dr Asim Hussain as the 'energy czar of Pakistan' and pins high hopes on his abilities for early execution of the project relating to import of LNG to meet domestic shortage. The Federal Petroleum Minister Dr Asim Hussain has held useful meetings with two foreign LNG consultants in the UK to speed up government efforts of fulfilling energy shortage in Pakistan, APTMA spokesman added.

The spokesman further pointed out that the textile industry is passing through very difficult time of its existence and 40 percent of the capacity was closed down or running partially due to energy shortage. He said the Non Performing Loans (NPLs) of the industry are piling up fast and likely to cross 50 percent of the total loans sooner than later. Therefore, he said, the government has strongly realised the need of industry and decided to take concrete measures to meet energy shortage in the country.

He said the textile industry would be fully supportive to all efforts of Dr Asim Hussain to meet shortages of energy-stricken industry in Punjab where textile industry remained closed for 84 days and zero supply to fertiliser industry and 505 percent supply cut to gas-based IPPs, suffering on account of capacity charges.

He said Gohar Ejaz, Shahid Abdullah and Fawad Mukhtar, the industry representatives from textile, IPPs and fertiliser, have called on Federal Minister for Petroleum and informed him that the MD SNGPL Arif Hameed has made clear that no gas would be available for industrial sectors in coming winter. Therefore, arrangements have to be made for retrofitting of the terminal, securing a storage vessel at the terminal and gas supplies from reliable sources and approving the concept of weighted average of pricing of gas on the system. APTMA spokesman has expressed the hope that the Federal Petroleum Minister Dr Asim Hussain would leave no stone unturned in importing the LNG in the light of recommendations finalised by the Gohar Ejaz led committee.

Agriculture and Allied: *Pakistan*

TCP pays Rs 7 billion to 27 sugar mills

July 27, 2012

RIZWAN BHATTI

The Trading Corporation of Pakistan (TCP) paid nearly Rs 7 billion to 27 mills, procuring sugar, easing their financial problems and building up the country''s strategic reserves. Sources told *Business Recorder* on Thursday that so far TCP had procured 130,000 tons of sugar from domestic mills under its sugar procurement programme.

The procurement drive was completed after Pakistan Standard Quality Control Authority (PSQCA) testing reports and taking physical charge of the procured stocks, which will remain in mills'' warehouses. Following the directives of the Economic Co-ordination Committee (ECC) of the cabinet, TCP finalised deals, floating the third sugar purchase tender for procuring 200,000 tons of sugar.

Sugar mills, it is learnt, were facing a financial crunch in the wake of a bumper sugarcane crop and low commodity prices in the domestic market. Cumulatively, the state-run grain trader paid Rs 6.95 billion to 27 sugar mills across the country against the purchase of 137,650 tons of sugar. The payments were made after receiving PSQCA''s test reports, staff surveyor reports, stock inspection reports and handing-over, taking-over certificates duly singed by surveyors, Muqadams and sugar mill''s representatives.

TCP currently holds sugar stocks of 600,000 tons. Under the current procurement programme, the TCP bought sugar at the rate of Rs 50,510 per ton. M/s Ranipur Sugar Mils received some Rs 149 million against a supply of 2,955 tons of sugar, M/s Sanghar Sugar Mill supplied 5,910 tons against two bids and received Rs 298.5 million, M/s Channar Sugar Mill supplied 5,910 tons and received Rs 298.5 million, M/s Shaikho Sugar Mill Rs 505 million against 10,000 tons of sugar and M/s Al Abbas Sugar Mill received Rs 298.5 million, selling 5,910 tons of sugar to TCP.

TCP paid about Rs 149.2 million to M/s Mehran Sugar Mill against 2,955 tons, M/s Kamalia Sugar Mill got Rs 298.5 million for supplying 5,910 tons, M/s New Dadu Sugar Mill sold 5,910 tons and received Rs 298.5 million, M/s Naudero Sugar Mill Rs 238.6 million against 4,725 tons, M/s Ansari Sugar Mill Rs 298.5 million, M/s Bawani Sugar Mills Rs 238.6 million against 4,725 tons, M/s Huda Sugar Mills Rs 149.2 million, M/s Abdullah Shah Ghazi Sugar Mill Rs 298.5 million, M/s Macca Sugar Rs 149.2 million, Tando Allahyar Sugar Rs 149.2 million, M/s Fatima Sugar Mills Rs 298.5 million, M/s Matyari Sugar Mills Rs 298.5, three units of JDW Sugar Mills received Rs 895 million, M/s Al Noor Sugar Mills Rs 298.5 million, M/s Shah Murad Sugar Mills Rs 298.5 million, M/s Haq Bahu Rs 298.5 million, M/s Hamza Rs 149.2 million, M/s Habib Rs 298.5 million and M/s Kashmir Sugar Mills Rs 298.5 million against 5,910 tons of sugar.

As per tender conditions, TCP is engaged to examine the procured sugar to clear mills" dues and as PSQCA testing reports are being received, TCP is making payment to the millers. The sugar procurement drive is likely to be completed some time next week.

Even wholesalers buying sugar from USC!

July 27, 2012

Shopkeepers and wholesalers have purchased sugar from Utility Stores Corporation (USC) in large quantities resulting in severe shortage of sugar at utility stores. "Due to high demand of sugar during Ramazan and poor checks by the USC management on its outlets, the shopkeepers are purchasing sugar in large quantities following reduction in sugar prices under the Ramazan package which is creating problems for the common man", an official source said.

Official said that shopkeepers and wholesaler had begun purchasing sugar in large quantities. The Ramazan package comprises of Rs 2.5 billion subsidy for 13 different edible items however there is no special subsidy for sugar under the Ramazan package as sugar is sold usually at subsidised rates throughout the year.

He said that prior to announcement of the Ramazan package, sugar bags of 5 kilograms were being sold for Rs 235. Its rate during Ramazan was fixed at Rs 210 but sugar is not available at the USC outlets because it is being misappropriated and sold to shopkeepers in large quantities, he alleged.

A number of consumers told *Business Recorder* that they easily managed to buy 'atta', ghee and cooking oil from the USC outlets but failed to get sugar. They demanded the federal government to take immediate notice of non-provision of sugar to customers at the USC outlets.

General Manger USC Masood Niazi said that there was no shortage of sugar at USC stores but maintained that demand had increased due to reduction in price. "Trading Corporation of Pakistan (TCP) has provided 75,000 metric tons of sugar for Ramazan to USC, some 25,000 tons higher than normal monthly requirements", he said.

He said that normally, USC's monthly sale was 50,000 metric tons of sugar however, for Ramazan it placed orders for an additional 25,000 metric tons as usually sugar demand increased during the month. When asked about the sale of sugar to shopkeepers and wholesalers, he said that the USC vigilance teams were continuously conducting visits of different markets and kept close eye on the sale of sugar. However, he said that some time shortage of sugar in a particular USC store may occur due to delay in transportation of sugar from warehouse to utility store.

Wheat barter deal: Ministry contemplating asking Iran to send inspection team

July 27, 2012

FAZAL SHER

The Ministry of National Food Security and Research is learnt to have decided to write a letter to the Iranian government, requesting it to arrange a visit of an inspection tteam to examine wheat quality Iran recently again agreed, in principal, to import wheat from Pakistan under barter trade.

"Iran has agreed to import a million tons of wheat from Pakistan under a barter trade deal at international prevailing price of wheat on July 16 ie around $347 per ton during talks held in Tehran between a Pakistani delegation and Iranian officials over a week ago," an official told *Business Recorder* on Thursday.

He said that a delegation, headed by National Food Security and Research Minister Mir Israrullah Zehri, including former minister NFS&R Nazar Muhammad Gondal, former secretary NFS&R Shafqat Hussain Nagmi and other senior officials rushed to Tehran on July 15. During the ensuing meeting Pakistan requested Iran to send their experts to take a sample of wheat and test it in a neutral laboratory which would enable the Iranian side to ascertain whether Pakistani wheat was similar to that of US, Australia and Kazakhstan.

"After the end of the deadlock...the NFS&R has decided to write a letter to Iranian government to learn when their inspection team is arriving in Pakistan to check the wheat quality," the official added. He said that in the meeting both sides had decided that international fertiliser and wheat prices of July 16 would be the benchmark for the barter trade deal. It was also agreed that Iran would start importing wheat from Pakistan after a month. The Agricultural Storage and Services Corporation (Passco) will make arrangements for wheat exports to Iran and their experts would check the quality of wheat in Karachi, he said.

The official said that Pakistan had offered a million tons of wheat to Iran, and in return, Tehran will provide fertilizer and iron ore. Iran had earlier expressed an unwillingness to accept Pakistani wheat, which it said contained 'karnal bunt' or 'Tilletia Indica' during a visit of a Pakistani delegation on April 26 this year to Tehran. However, the issue of Karnal bunt was resolved during the recent talks between the two countries, he said. The official said that Pakistan's wheat has 0.3 percent ratio of karnal bunt (a fungal disease) whereas 1 percent "is internationally acceptable level", he said.

Iran increases import duty on rice to 90 percent

July 27, 2012

GHULAM ABBAS

In an attempt to prevent more import of rice, Iran has increased import duty on the product from 45 percent to 90 percent hurting rice exports from India and Pakistan. Pakistan, which had already lost major share of the foreign market to India due to stiff competition with the cheaper product of Delhi, would be losing further after the fresh move of Tehran, sources told *Business Recorder*.

In a letter No 6(3)/208-CS sent recently, Commercial Section of Pakistan Embassy in Tehran has informed the Ministry of Commerce according to a media report published in Iranian newspaper, the government of Iran has increased import duty on rice from 45 percent to 90 percent from July 1. The Commercial Section Tehran has also requested that Iranian Embassy in Islamabad may be approached in order to know the authenticity of the news published in local newspaper as local Iranian authorities were reluctant to respond to such queries of commercial Section.

The Ministry, later as requested by Commercial Section Tehran, has also consulted Foreign Office to approach Iranian Embassy in Islamabad regarding whether there was any change in import policy of Government of Iran. However, Pakistani exporters of rice have confirmed that the import duty has been enhanced by 90 percent by the foreign country which could definitely cause damages to export to Iran. They, however, said that the losses to Pakistani exporters would comparatively lesser as compared to other rice exporting countries like India because Pakistan had already lost major share of exports in the neighbouring country''s market.

"Pakistan has already lost Iranian market to India as our commercial banks are already reluctant to accept letter of credits (LCs) and other trade related transactions with Iranian banks. On the other hand Indian banks are facilitating their exporters who do business with buyers/importers from Iran," they claimed. The other reason of fall in exports to Iran was the stiff competition with Indian rice, comparatively cheaper in international market. India is the only major competitor for Pakisttan in Tehran''s rice market. However, sources believed, the quantity of legal/ illegal imports of rice by Afghanistan were also increasing because of the smuggling of the same products to Iran. A large quantity of the product was being re-exported or smuggled from Afghanistan to Central Asian and Iranian markets.

According to sources, Iran makes changes in duty as per needs of the country to protect local prices of the commodity especially in the wake of increased domestic rice production. There was no ban on trade, but fresh move was just a strategy that many countries use to protect their local markets and it would be reviewed. According to a report the main products of Pakistan which are imported to Iran are rice, fruits/vegetables, cotton and synthetic fabrics, readymade garments, surgical and sports goods. Iran''s annual import requirement of rice of

0.8-1/0 million metric tons was mainly imported from Pakistan, India, Vietnam and Uruguay, it said, adding the better quality rice ie basmati and Sehla was imported from Pakistan, which exports almost 88 percent of its total rice exports to the host country.

Purchase of poor quality rice, late disposal inflict Rs 11 billion loss: report

July 27, 2012

NAVEED BUTT

The procurement of sub-standard rice and its late disposal inflicted a loss of Rs 11 billion on the national exchequer, a report compiled by the Auditor-General of Pakistan said. According to the Audit Report 2011-12 on Accounts of Public Sector Enterprises, the Pakistan Agriculture Storage and Services Corporation (Passco) arranged to purchase Basmati Rice (Super) at Rs 75,000 per ton.

The report said that Passco suffered huge losses because the paddy, particularly purchased in Sindh, was of poor quality, wet and sub-standard. The Corporation was required to sell its rice stocks in March or April 2009, but the management stocked the rice for about two years and sold it slowly without realising that Passco/government was bearing heavy interest charges.

The report said that the last batch of rice stock was dispoosed of in October last year. The carrying and financial costs, the report said, greatly increased because of the delay in selling the rice stock. Passco, it said, suffered a total loss of Rs 11.014 billion on account of the deal. The Audit was of the view that the management should have investigated the procurement and disposal process which caused huge losses.

The matter was reported to the management on November 28, 2011. The management, in its reply dated January 17 this year, stated that Passco rejected allegations levelled in reports published in various newspapers. It said that losses sustained by Passco had been picked up by the federal government because "wet rice" was procured and disposed of in accordance with the directives of the ministry of food and agriculture.

The reply was not convincing as funds provided, acquired or generated by the Corporation were public funds and those should have been utilised with due care and caution. The DAC, in its meeting held on January 27 this year, directed the management that the case be referred to the Ministry for an inquiry into the matter.

Release of bailout package instalments: CCoR to monitor Steel Mill''s performance

July 27, 2012

ZAHEER ABBASI

The Cabinet Committee on Restructuring (CCoR) would regularly monitor the performance of Pakistan Steel Mills (PSM) prior to the release of the approved bailout package, an official told *Business Recorder* on Thursday. The official said that the government would not provide the entire amount of Rs 14.6 billion to the PSM in a single instalment, adding that the money would be released in four instalments on a quarterly basis after monitoring PSM"s performance.

This was why the government was not ready to give sovereign guarantee to the PSM before the appointment of a new Chief Executive Officer (CEO) who, in turn, would give a firm commitment to improvement the Mills performance, he said. The CCOR, he added wanted the CEO to come up with a workable plan for capacity utilisation, turn PSM"s financial fortunes around and effectively deal with all other issues affecting the entity"s performance.

The CEO, the official claimed, had assured the CCoR that PSM capacity utilisation would be enhanced to 55 percent by December this year from existing 15 percent. The capacity, he said, would be increased to 80 percent by 2013. He said that the funding for PSM had been cleared by the CCoR on this assurance and subsequently approved by the Economic Co-ordination Committee (ECC) of the Cabinet.

Of the total package, the government would release Rs 4.1 billion to the PSM in July this year while the next instalment of Rs 5.35 billion would be released in October 2012 (subject to satisfactory performance). Sources said that third instalment of Rs 3 billion would be due in January next year subject to achievement 55 per cent capacity utilisation. The final instalment of Rs 2.156 billion would be due in April 2013.

An official of Finance Ministry said that the government could not afford to arrange money for a loss-making organisation without a firm assurance of better performance. The official added that the Russian government had expressed interest in investing in PSM, but it "is premature to say anything". Another official said that the government-to-government deal took relatively longer to conclude because it involved the signing of a Memorandum of Understanding (MoU) and various other formalities.

The present annual capacity of 1.1 million tons was "sub-economic and the plant is in need of extensive capital repair/revamping. Therefore, an aggressive repair / revamping programme of all main production units and capacity expansion and investment would be required to achieve an output level of three million tons per year. Sources said that the business plan submitted by PSM"s management also envisaged capacity expansion to 1.5 million tons a year to improve economic level with a capital expenditure of Rs 32.5 billion.

Cattle, poultry smuggling to Afghanistan: strategy devised to carry out crackdown

July 27, 2012

In compliance with the verdict of Peshawar High Court (PHC), the City District Administrative has devised a comprehensive strategy for carrying out crackdown against smuggling of cattle and poultry products to neighbouring Afghanistan. A joint plan would be pursued by department of Food, Livestock, police, FC and district government to keep strict check on smuggling of cattle and poultry via border areas.

In this connection, a circular has been issued to poultry associations and butchers by the District Administration which said that smuggling of animals, meat and poultry could be strictly prohibited, and those who were found involved in this illegal business, would be faced charges under the relevant section 188 of the Pakistan panel court (PPC).

The court decision against the curbing of illegal transportation of cattle and poultry, had paved the way to take stern action against those who were involved in this illegal business, said District Co-ordinator Officer Javed Marwat while talking to *Business Recorder* here on Thursday. As per decision of the court, he said that directives had been issued to police, FC, department of Food and Livestock, and District government to adopt a strategy for establishment of joint check posts to keep strict check of smuggling of cattle and poultry.

"Steps are being taken to execute the plan with mutual co-operation and consensus with immediate effect," he maintained. Marwat informed that the administration had taken decision to impose section-144 during the holy month of Ramazan. He, however, informed that a court has issued a decision on October, 2010 annulling the section by barring the district administration not to take action against the smugglers of cattle and poultry.

After taking suo-motu notice of shortage of cattle and poultry products due to unprecedented smuggling to Afghanistan, a Peshawar High Court bench had suspended cattle export permits till the next hearing on August 2. According to the court verdict, it said that cattle smuggling had led to shortage of animal and availability of beef and mutton pushing their prices beyond the purchasing power of the fasting people. The bench observed that it had been established that cattle export permits were issued to the authorities' blue-eyed people, who illegally earned millions of rupees.

It was pointed out in the court decision that federal government was issuing permits for cattle export to Afghanistan, while majority of permit holders collected cattle export from the province, the court decision said. DCO said the section wasn't implemented to curb smuggling of cattle and poultry and control upward trend in their prices. He said the district administration had continued its efforts to implement the section, and informed the court that a large scale of smuggling of cattle and poultry being carried to neighbouring Afghanistan due not imposition of section 144.

Following the court decision, he said they had authorised to take necessary action under the relevant section to curb smuggling of cattle and poultry products to Afghanistan. Assistant Co-ordinator Officer Zafar Ali Shah informed the reporter that they had seized more than 95 animals being smuggled to Afghanistan on Thursday, and auctioned to two different parties at Rs 1.5 millions to sell in open market at Rs 220 per kg at official rate.

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Fuel and Energy: *Pakistan*

US urged to offer civil nuclear technology to Pakistan

July 27, 2012

The United States (US) should offer civil nuclear technology to Pakistan to meet growing energy needs and shun from threatening Pakistan to shelve much-needed Iran-Pakistan (IP) gas pipeline project. In a statement issued here on Thursday, President Pakistan Economy Watch (PEW) Dr Murtaza Mughal said Pakistan was facing emergency like situation due to energy shortages and IP gas pipeline project could resolve the emerging demand of gas in future.

"Pakistan is facing a huge gas deficit of over 2 billion cubic feet per day as its production stands at 4.2 billion cubic feet," he said, adding the import of gas from Iran would ease the gas deficit in the country to a reasonable level. He said there were many states in the world which were generating much of their powers through nuclear technology. For example, the US, Sweden, the Czech Republic and the UK are generating 19 per cent, 39 per cent, 33 per cent and 15 per cent, respectively.

Dr Mughal said Iran had already completed a 900-km portion of 56-inch diameter pipeline from Assaluyeh to Iran Shehr. However, remaining 200 km up to the Pakistan border is under design, and is expected to be completed in next two years' time. He said the report suggests that the project implementation and construction is targeted in four years and the first gas flow will be available by the end of December 2014. The 750 mmcfd gas volume will help in generation of around 4,000 MW electricity couple with more job opportunities in backward areas of Balochistan and Sindh.

He further said Pakistan was to lay 781 km pipeline in its territory and the project would be completed by December 2014. The initial capacity of the pipeline will be 22 billion cubic meters of natural gas per annum, which is expected to later rise to 55 billion cubic meters. The pipeline aims to export 21.5 million cubic meters of Iranian natural gas to Pakistan every day or 8.7 billion cubic meters per year.-PR

Declining trend in refinery production continues for fourth year: production down five percent in fiscal year 2012

July 27, 2012

The declining trend in refinery production continued for the fourth consecutive year with throughput down five percent in FY12 to 7.3 million tons, analysts said. "We believe, reduction in domestic gross refinery margins (particularly towards the later part of the year) stands out as the major reason behind constrain capacity utilisation accompanied by liquidity problems of certain refineries", Nauman Khan, an analyst at Topline Securities said.

Resultantly, country reliance on impacted petroleum production rose to 61 percent, up 100bps from last year, he added. Refinery production, during FY12, declined by five percent to 7.3 million tons as against 7.7 million tons last year while capacity utilisation declined to 65 percent as against 68 percent in FY11. However, there was a divergent trend amongst the individual refineries, with ATRL and PRL showing rise, while the other three major refineries (Parco, NRL and Byco) all showing decline in the production. During the year, ATRL and PRL capacity utilisation improved approximately 91 percent and 77 percent as against 88 percent and 71 percent in FY11, respectively.

On the other hand of the spectrum, Byco capacity utilisation declined to 14 percent as against 33 percent last year, with refinery remaining in- operational in large part of the year. Parco and NRL, capacity utilisation declined to 63 percent and 76 percent versus 80 percent and 68 percent last year, respectively.

"We believe former was with adverse operating environment on account of circular debt while the latter restricted its throughput due to lower margins", he said. The trends in the throughput subsequently impacted on individual company's market share. Parco maintained its top slot but lost its market share by approximately 1pps to 38 percent, ATRL surpassed NRL to attain the second as it improved its market share from 19 percent to 21 percent, while NRL maintained its market share around 20 percent. But the major gainer of the year was PRL, whose market share rose to 19 percent as against 17 percent last year. On the other hand, major loser was Byco which lost its market share from 5.6 percent last year to 1 percent this year.

He said positive development during the year was improved product mix of all the major refineries of Pakistan. The refineries skewed their product mix towards high margin HSD (diesel) and MS (petrol) away from loss making FO (Furnace oil). Improved product mix is expected to positively affect the refinery margins going forward as well as reduce their exposures to circular debt, he added.

Ministry drafting summary for LNG import from Qatar

July 27, 2012

ABDUL RASHEED AZAD

The Ministry of Petroleum and Natural Resources is drafting a summary for the import of 500 Million Cubic Feet (MMCFD) per day of Liquefied Natural Gas (LNG) from Qatar during the coming winter. According to a senior Petroleum Ministry official "we are in the process of formulating the framework of LNG import so that in the coming winter Pakistan can meet its energy needs."

The official added "we want to prepare a summary as early as possible so that it can be presented before the next meeting of the Economic Co-Ordination Committee." "The import of natural gas in the form of LNG is one of the basic priorities of the government to overcome looming energy crisis in the country. Government is working on short term, medium term and long term plans to resolve the crisis; LNG import is a short term solution. In the long run the government has to explore new oil and gas reservoirs in the country so as to increase the indigenous gas production," he maintained.

The government of Qatar has authorised the US energy giant ConocoPhillips to negotiate LNG deal with Pakistan. He said that the government has imposed Gas Infrastructure Development Surcharge (GIDS) on different sectors to finance import of LNG as well as long term projects like Iran-Pakistan and Turkmenistan-Afghanistan-Pakistan-India gas pipeline projects while the industrial sector has asked the government to guarantee the import of LNG or any other fuel by the end of November. "We have committed to the industrial sector that we will ensure import of LNG by November so that industrial sector would be provided with required energy," the official stated.

Last year on July 20 OGRA issued three conditional licenses and one provisional license to the LNG project proponents. The conditional licenses were issued to 'Pakistan Gasport Limited', Engro Corporation Limited, and Global Energy Infrastructure Limited while the provincial license has been issued to DSME ENR Limited.

The Global Energy and Engro were to import 500 Million Cubic Feet per Day (MMCFD) each while Pakistan Gasport was to import 400 Mmcfd. However, there were no imports. According to sources in the Petroleum Ministry the GEIP requested the government to allow it to sell imported RLNG directly to SNGPL and SSGC, but Ogra stated that as per third party access rules GEIP is bound to arrange end consumer by itself. As per GEIP it was also responsible to provide the details of RLNG buyers as mentioned in clause (C) of the capacity allocation letter, which states provisional list of buyers along with quantity be furnished within 15 days.

Miscellaneous News

Engro Fertilizers requests extension of loan deadline

By Kazim Alam

Published: July 27, 2012

HEAVY EXPENSE: Rs26.5b is the amount Engro Fertilizers has made in principal repayments and interest payments in the last 18 months. PHOTO: FILE

KARACHI:

Engro Fertilizers has approached banks to "re-profile" its debt and extend the loan repayment dates by about two and a half years, as the company is trying to reach an agreement with the government to shift its $1.1 billion Enven fertiliser plant from the Sui Northern Gas Pipelines Limited (SNGPL) network to non-network gas fields.

Engro Fertilizers – part of Pakistan's largest private-sector conglomerate Engro Corporation – has to make principal repayments of Rs10 billion and interest payments of Rs8 billion in 2012, Engro Corporation Chief Financial Officer (CFO) Naz Khan said on Thursday.

While ruling out market speculations that Engro Fertilizers may default on its debt repayments in the ongoing calendar year, Khan told *The Express Tribune* that gas curtailment at Enven had indeed hurt cash flows of Engro Fertilizers, which set up the world's largest single-train urea plant in 2011 with total production capacity of 1.3 million tons a year.

"We're running short of cash because the original debt repayment schedule was based on regular gas supplies of 100mmbtu from the SNGPL," she said, adding that Enven received gas for only five and a half months last year. It has received gas for 44 days in 2012, of which production could take place for 33 days only, as the firing up and shutting down the plant takes considerable time.

Engro Fertilizers has made principal repayments and interest payments amounting to Rs26.5 billion in the last 18 months since Enven became operational.

She says she is optimistic that Engro Fertilizers will be able to strike a deal with the government to shift Enven to non-network gas fields within the next six months. Making arrangements for the treatment of low BTU gas, so that it can be used to produce urea, can take anywhere between six months and two years, Khan added.

"That's the reason why we have approached banks to reschedule repayments for the interim period, which will be approximately two and a half years. About five payments totalling Rs28 billion are due every six months," she said.

Engro Fertilizers was allocated 100 mmcfd of gas upon payment of a licence fee after an international competitive bidding conducted by the government. It also enjoys the SNGPL's guarantee of uninterrupted gas supply with a right to have the first 100 mmcfd of gas production from Qadripur field.

Engro's alternative non-network gas solution calls for shifting Enven from the Qadirpur field to Lateef and two other adjacent gas fields. Another suggestion that is part of Engro's proposal is to shift gas supplies of the plant to Mari field which, like many other major gas fields, is located within 50km of Enven.

Khan took pains to explain that no Term Finance Certificate (TFC) repayments will be affected by the proposed restructuring of Engro Fertilizers' long-term debt. "Engro Corporation has many subsidiaries, and there is no possibility of a default on payments whatsoever," she said, adding that no major TFC repayments are due in the near future anyway.

"The problem with the fertiliser sector is that it doesn't enjoy the political clout like the textile and many other lobbies do," she said, while referring to the recurring gas curtailment problem that has affected the Enven plant since its inception.

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PSO dues: Power ministry asks for release of Rs45 billion

By Zafar Bhutta

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PSO needs immediate release of Rs23.5 billion to retire letters of credit on Friday to ensure supply of 28,000 tons of oil per day to the power sector. PHOTO: FILE

ISLAMABAD:

The Ministry of Water and Power, in an attempt to avert the fuel crisis, has pressed the Ministry of Finance to immediately release Rs45 billion for Pakistan State Oil (PSO), the oil marketing giant, which is facing the prospect of default on payments to international oil suppliers.

The power ministry made the demand following PSO's warning to the government on Tuesday that it had to make some payments to the international fuel suppliers by Friday and any default might affect future supplies, said a senior official of the water and power ministry.

"However, no money has been provided so far for retiring letters of credit for oil imports," the official said and pointed out that the finance ministry had to release the amount on account of subsidy for power consumers.

According to him, the power subsidy of Rs45 billion has been pending since the last financial year. "We are hoping to receive Rs5 to Rs7 billion, but it will not be sufficient to run the energy chain."

Sources told *The Express Tribune* that the petroleum and power ministries took up the PSO issue on Wednesday during a meeting of the energy committee, chaired by the prime minister. The petroleum ministry officials told the meeting that PSO was on the verge of collapse due to lack of funds as power companies were not making timely payments to the oil supplier.

Receivables of PSO, mainly from the power companies, have reached an all-time high, standing at Rs237 billion while the company has to pay Rs179 billion to local and international fuel suppliers.

A petroleum ministry official cautioned that if PSO defaulted on international payments on Friday, it would not be able to continue uninterrupted oil supply to power plants, worsening power crisis in the country.

At present, PSO is purchasing furnace oil from Pak Arab Refinery Company (Parco).

"PSO needs immediate release of Rs23.5 billion to retire letters of credit on Friday to ensure supply of 28,000 tons of oil per day to the power sector as directed by Prime Minister Raja Pervez Ashraf," the official said, quoting a letter sent by PSO to the finance and water and power ministries as well as the energy committee.

PSO has also requested Rs15.5 billion for first 10 days of next month to ensure smooth supply of oil to the power companies.

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136 ghost employees on SSGC payroll

By Our Correspondent

Published: July 27, 2012

"There are such officials working in the petroleum ministry as well," SSGC Managing Director Azeem Iqbal Sidiqui.

ISLAMABAD:

The petroleum ministry has taken notice of 136 ghost employees of Sui Southern Gas Company (SSGC) who are getting paid despite never making it to the office.

These employees are a burden on consumers of natural gas as SSGC seeks funds from Oil and Gas Regulatory Authority (Ogra) in revenue requirement to meet expenses of human resource. Sources said that ghost employees were working in the Islamabad office apparently with political backing.

The ministry has expressed serious concerns after coming to know about the ghost employees who were being paid high salaries but were not performing their duties. The petroleum ministry has directed SSGC management to transfer these employees and not succumb to any political pressure.

"The Islamabad office has few sanctioned posts but a huge number of employees have been assigned and become a burden on the exchequer," sources said adding that they were doing part time jobs in SSGC. "They are engaged in other businesses and just show up at the end of month to pick up their cheques," sources said.

Ministry of Petroleum has directed SSGC to transfer these employees from Islamabad office to some other stations. "If they do not join the concerned offices, their salaries should be withheld and after some time their services should be terminated," said a petroleum ministry official.

Sui Southern Gas Company (SSGC) Managing Director Azeem Iqbal Sidiqui confirmed that some surplus employees have been posted at the Islamabad office. However, he said that there were only 20 to 25 in number who were surplus. He said that most these employees are from Northern Areas, Punjab and Khyber-Pakhtunkhwa and can not afford living in Karachi.

"We are working with Sui Northern Gas Pipelines (SNGPL) for mutual transfer of these employees," he said adding that the Islamabad office is a liaison office that requires not more than 50 to 60 officials. He further said that there are such officials working in the petroleum ministry as well.

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Punjab revenue body starts functioning

By Anwer Sumra

Published: July 27, 2012

IN 2011-12: Rs33b was the share of Punjab in sales tax collected by FBR. DESIGN: ESSA MALIK

LAHORE:

The Punjab Revenue Authority (PRA), established to collect sales tax on services, has started functioning with the hope that the province may achieve a 20% increase in sales tax collection in the current fiscal year.

Finance Secretary Tariq Mehmood Bajwa formally launched the website of PRA on Thursday to facilitate taxpayers while Iftikhar Qutab, an officer in BS-20 of the Customs group, was appointed the first chairperson of the authority.

PRA asked all institutions engaged in providing services in 14 sectors to file sales tax returns for July through the authority's e-portal, it was learnt.

PRA was set up under the Punjab Revenue Authority Act 2012 passed by the provincial assembly in an attempt to collect sales tax on services from July this year.

Previously, all service providers were paying sales tax to the Federal Board of Revenue (FBR) with Punjab's share in fiscal year 2011-12 calculated at Rs33 billion, an official close to the development said.

The passage of 18th Constitution Amendment from the National Assembly in 2010 ended the dispute between the central government and provinces over sales tax collection on services as the law allowed provinces to collect the tax. It would also save the provinces the service charges imposed by the FBR for sales tax collection on their behalf, the official said.

He expressed the hope that with the functioning of PRA, revenue collection from services in Punjab would increase by 20% in the current fiscal year.

How will PRA work

Besides the chairperson, the PRA has four members and a secretary. It will pursue its policy and perform other important tasks under the guidelines of an advisory council consisting of the provincial finance minister, chief secretary, authority's chairperson, finance secretary and four members from the private sector.

Headquartered in the finance department at the Punjab Civil Secretariat, the PRA will establish commission offices at the divisional level in phases.

Initially, the PRA will collect sales tax on 14 services and later expand its base and scope through research and development. It will also take over management of other provincial taxes and levies.

It will collect sales tax from 4,250 institutions and individuals engaged in providing services in the 14 sectors including hotels, clubs, caterers, advertisements on mass communication channels, customs agents, ship handlers, stevedores, telecommunications, insurance and re-insurance, banking companies, non-banking financial institutions, stock brokers, shipping agents and courier services.

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OPEN MARKET FOREX RATES

Updated at: 27/7/2012 5:58 AM (PST)

Currency	Buying	Selling
Australian Dollar	97.2	98.2
Bahrain Dinar	242.5	244
Canadian Dollar	92.6	93.6
China Yuan	13.1	13.6
Danish Krone	17.3	18
Euro	114.8	116.5
Hong Kong Dollar	11	11.7
Indian Rupee	1.65	1.75
Japanese Yen	1.189	1.270
Kuwaiti Dinar	325.5	327
Malaysian Ringgit	28	28.5
NewZealand $	73.6	74.6
Norwegians Krone	16.8	17.8
Omani Riyal	238.5	240
Qatari Riyal	25.6	25.7
Saudi Riyal	25.15	25.4
Singapore Dollar	74.8	76
Swedish Korona	13	13.5
Swiss Franc	97	98.5
Thai Bhat	2.65	2.75
U.A.E Dirham	25.7	26.1
UK Pound Sterling	146.5	148
US Dollar	94.7	95

INTER BANK RATES

Updated at: 27/7/2012 5:58 AM (PST)

Currency	Bank Buying TT Clean	Bank Selling TT & OD
Australian Dollar	97.17	97.37
Canadian Dollar	92.76	92.95
Danish Krone	15.37	15.41
Euro	114.35	114.6
Hong Kong Dollar	12.14	12.17
Japanese Yen	1.2058	1.2084
Saudi Riyal	25.12	25.17
Singapore Dollar	75	75.16
Swedish Korona	13.5	13.53
Swiss Franc	95.2	95.41
U.A.E Dirham	25.65	25.7
UK Pound Sterling	145.82	146.13
US Dollar	94.2	94.4