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News Contents

Top Stories

Boosting sluggish economy: five sectors identified by MoI&P

October 05, 2013

MUSHTAQ GHUMMAN

Ministry of Industries and Production (MoI&P) has identified five sectors, including the automotive sector, which may help spur economic growth. Official sources told *Business Recorder* that Pakistan has shown growth in the pharmaceutical industry and it has been able to capture limited export market in Afghanistan, Central Asia and Africa. The domestic market itself presents a promising scope. Only Punjab is spending a huge amount annually on procurement of drugs for public health sector facilities.

The impediment towards this sector's growth is inadequate regulations coupled with faulty procurement processes of the public sector. Similar instances have also been observed in manufacturing of hospital disposables and ancillary equipment that has been competing internationally. Improvement in standardisations, regulation and public sector procurements can provide a boost to this sector.

(i) Automotive sector: Pakistan's domestic market is dominated by three Japanese car makers. Vehicle density in Pakistan is estimated at 11/1000 which is very low as compared to other countries. Neighbouring India has 18/1000 while the vehicle density in China is 85/1000. There is a substantial gap in the prices of motorcycles and the lowest priced vehicle. A small compact car with a price tag of Rs 300,000-400,000 would be very attractive for the customers. Besides, automotive sector gives impetus to vendor industry which employs a large number of people. Even at modest growth rate in automotive sector, Pakistan government receives revenue which is second to only the petroleum sector.

(ii) Consumer electronics/goods: Pakistan has made good progress in manufacturing/assembly of household appliances. However, with improvement in income levels, the requirement for household goods is on the rise. Government may consider incentives for boosting production levels and diversification.

(iii) Telecommunication Sector: Pakistan has made impressive progress in the telecom sector. However, further growth has stagnated. YouTube blockage has resulted in total lack of interest of people in high speed internet for mobile devices. While several countries have moved beyond 3G to 4G and even to 4G/LTE, PTA has not been successful in awarding licenses for 3G. While ensuring necessary safeguards for blocking objectionable content of YouTube, the service should be resumed forthwith. Even as just a single portal, YouTube has the potential to give tremendous boost to the telecommunication sector.

(iv) Chemical Industry: High technology industries based on chemical science are agricultural chemicals, ceramics, electronic reagents, glass, paints and solvents, metals and alloys, petrochemical, feedstock, paper, pharmaceuticals, plastics and rubbers, soaps and detergents, synthetic fibers and the list is endless with more than 60,000 to 70,000 different chemicals being used commercially today.

Chemical sector plays a vital role in the economic development of any country. Pakistan has not yet utilised potential of chemical sector. The world chemical industry is one of the most important manufacturing sectors with an annual turnover of approximately $3 trillion. In 2012, the chemical sector accounted for 12 percent of the EU manufacturing industry's added value. Europe remains world's biggest chemical trading region with 43 percent of the world's exports and 37 percent of the world's imports, although the latest data shows that Asia is catching up with 34 percent of the exports and 37 percent of imports. Even so Europe still has a trading surplus with all regions of the world except Japan and China where in 2011 there was a chemical trade balance. Europe's trade surplus with the rest of the world today amounts to 41.7 billion euros.

At the time of independence, chemical industry in Pakistan was practically non-existent. Over the years, some traditional sectors have developed, however the chemical industry in Pakistan is still at a very nascent stage. The growth of chemical sector could never pickup. The imports of chemicals are on increase in value and volume terms. This indicates the vast potential for the chemical industry in Pakistan. There were some investments in the recent years in the production of Pure Terephthalic Acid (PTA), fertilisers, polyesters and Poly Vinyl Chloride (PVC). However, investments in the petrochemicals complex and other chemicals are urgently required to be self-reliant in basic organic and inorganic chemicals.

MoI&P maintains that e-commerce has boosted economies of several countries of the world. Pakistan is one of the few countries of the world where escrow services are not available. In the absence of safeguards against possibility of online fraud people are reluctant to online purchasing. eBay took a reluctant start until the company founded PayPal. At the moment, very few businesses in Pakistan have set up online businesses and have very limited clientele owing to possibility of fraudulent transactions. Existing online businesses either demand advanced payment through bank transfer, expensive EasyPaisa transactions, or the risky Cash-on-Delivery basis. The potential of eCommerce can be gauged from estimates for 2012 for USA, which are eCommerce and Online Retail sales projected to reach $226 billion, an increase of 12 percent over 2011. In 2010, the United Kingdom had the biggest c-commerce market in the world when measured by the amount spent per capita. The Czech Republic is the European country where ecommerce delivers the biggest contribution to the enterprises' total revenue. Almost a quarter (24 percent) of the country's total turnover is generated via the online channel.

Among emerging economies, China's e-commerce presence continues to expand. With 384 million internet users, China's online shopping sales rose to $36.6 billion in 2009 and one of the reasons behind the huge growth has been the improved trust level for shoppers. The Chinese retailers have been able to help consumers feel more comfortable shopping online. China's cross-border c-commerce is also growing rapidly. E-commerce transactions between China and other countries increased 32 percent to 2.3 trillion yuan ($375.8 billion) in 2012 and accounted for 9.6 percent of China's total international trade.

Other BRIC countries are witnessing the accelerated growth of eCommerce as well. In Russia, the total ecommerce market is projected to total somewhere between 690 billion rubles ($23 billion) and 900 billion rubles ($30 billion) in 2015, at 2010 values. This will equal 5 percent of total retail volume in Russia. Longer-term, the market size of Russian ecommerce could reach $50 billion by 2020. Brazil's eCommerce is growing quickly with retail eCommerce sales expected to grow at a healthy double-digit pace through 2014. By 2016, E-Marketer expects retail ecommerce sales in Brazil to reach $17.3 billion.

E-Commerce is also expanding across the Middle East. Having recorded the world's fastest growth in internet usage between 2000 and 2009, the region is now home to more than 60 million internet users. Retail, travel and gaming are the region's top eCommerce segments, in spite of difficulties such as the lack of region-wide legal frameworks and logistical problems in cross-border transportation. E-Commerce has become an important tool for small and large businesses world-wide, not only to sell to customers, but also to engage them. In 2012, ecommerce sales topped $1 trillion for the first time in history.

(v) Tourism Sector: Pakistan has experimented with efforts to boost tourism in the past with dismal results. Main impediment turns out to be the focus on attracting foreign tourists. Pakistan is not the only country in the world with security issues. Emphasis on attracting foreign tourists does not produce good results. Instead, government should make efforts to promote domestic tourism through facilitating better transport, hotels and other infrastructure requirements. Once domestic tourism gets an impetus, foreign tourists follow suit. Northern Areas of Pakistan will continue to attract Adventure Tourists, however, their number remains low. Pakistan needs to study the example of Maldives wherein tourists are allowed all necessary facilities, although the Maldivian society retains its very conservative and religious flavour. Pakistan has huge potential to promote Religious Tourism without much effort. In this case, for domestic population, festivals at very large number of shrines can give large boost to consumption. In this context, there is immense potential for international Religious Tourists, especially from India.

(vi) Respect for Intellectual Property Rights: For a very long time, Pakistani society has remained oblivious to the respect for Intellectual Property Rights. The results are evident. Film industry met its complete and final death. Software piracy has led to total stagnation in this field, and except for some foreign clients, local software producers have no incentives. India has controlled piracy to a considerable extent and we can see the results. Again, in the case of entertainment, videos, music are all victims of ruthless piracy. It is ironic to see that Pakistani entertainers move abroad for safeguarding their intellectual property.

(vii) Small Arms: Pakistan has a sizable small arms domestic market, these include, shotguns, hunting guns, pistols and home defence guns. At the moment the domestic market is captured by Russian smuggled arms, and imported weapons from Europe, China and Turkey. The domestic producers are operating in a distorted environment because of shifting policies, lack of standardisation and a restrictive licensing regime. With Nadra's advanced database, licensing regime has already become obsolete and removing the license requirement on certain category of weapons is likely to boost the local manufacturing of small arms.

Pakistani consumers and customers are totally at the mercy of greedy businessmen. Substandard merchandise and services are forced on to the customers who have no easy escape. While Government of Punjab has come up with a rudimentary system of consumer courts, there is a need to protect the consumer rights at the federal level. Pakistani customers/consumers are generally accused of their preference for imported merchandise. However, in the absence of quality control/standardisation of domestic products, the trend is likely to continue. We have seen that customers reward domestic brands who focus on quality and appropriate standards.

The challenge for government policy is to develop and foster institutional arrangements through which ministries', employers, workers and training institutions can respond effectively to changing skill and training needs and play a strategic and forward-looking role in facilitating and sustaining technological, economic and social advancement. To meet this challenge, effective co-ordinating or mediating institutions are required at three levels: co-operation between the various providers of skills training, such as vocational institutes, training institutions and enterprises, to establish coherent and consistent learning paths; co-ordination between skills development institutions and enterprises to match skills supply and demand; and the co-ordination of skills development policies with industrial, investment, trade, technology and macroeconomic policies so that skills development policies are integrated effectively into the national development strategy and policy coherence is achieved. Institutions need to encourage co-operation between different ministries, ensure the effective exchange of information and forecast skill needs.

Unregistered retailers: FBR waives off CNIC-NTN condition

October 05, 2013

SOHAIL SARFRAZ

The Federal Board of Revenue Friday introduced an anti-documentation measure by waiving off the condition of seeking CNICs, NTNs and addresses of unregistered retailers, reduced withholding sales tax rate on purchases from unregistered persons from 17 to 1 percent, 2 percent extra sales tax on over 50 items and charge 3 percent sales tax on import and supply of fabrics. In this regard, the FBR has issued five notifications here on Friday.

Through SRO.896(I)/2013, the FBR has omitted over 50 items from the Third Schedule of the Sales Tax Act, 1990, and in lieu imposed a 2 percent additional tax on these items to be paid by manufacturers. The rate of 2 percent was also worked out on the basis of actual value addition of these sectors from the manufacturers till retail stage.

Thus, the FBR will now charge 2 percent extra tax from manufacturers of over 50 items in lieu of the tax payable by the subsequent or entire supply chain. The manufactures of these items would now pay 17 percent existing sales tax and 2 percent extra sales tax in lieu of the tax payable by the subsequent supply chain. The remaining supply chain of these items would not be required to pay any additional sales tax. In lieu of printed retail price mechanism, the Board would charge this extra 2 percent tax on household electrical goods, household gas appliances, foams or spring mattress and other form products for household use, auto parts and accessories, lubricating oils, oil additives, brake fluid and transmission fluids and maintenance products, tyres and tubes, storage batteries, arms and ammunition, paints, distempers, enamels, pigments, colours, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing, tiles, biscuits, confectionary, chocolates, toffees and candies.

According to the FBR, the Board has not imposed any new tax on household gas and electrical appliances, tiles, tyres etc. This is, therefore, not a new tax or enhancement of existing rate but only collection of tax which even otherwise was payable by the supply chain, Board added. Under SRO.898(I)/2013, import and supplies of fabric shall be charged to sales tax at the rate of 3 percent. The commercial importers would pay 2 percent value addition tax and 3 percent sales tax ie 5 percent sales tax shall be chargeable on commercial imports of fabrics.

The FBR has also allowed refund against local supplies, if any, shall be admissible only subject to pre-refund audit and in case of value addition of less than ten percent subject to the condition that the registered persons furnishes a revolving bank guarantee valid for at least ninety days issued by a scheduled bank to the satisfaction of the Commission, Inland Revenue having jurisdiction, of an amount not less than the average monthly refund claim during last twelve months. Provided further that the post-refund audit shall be conducted and finalised within a period of ninety days and certificate to the genuineness of the refund claim shall be issued for each and every claim by the Commission, Inland Revenue having jurisdiction, notification added.

Sources said that the rate of withholding for wholesalers, dealers (including petroleum dealers) and distributors is reduced from current level of one-fifth (ie 3.4 percent) to one-tenth (ie 1.7 percent) of the applicable rate of sales tax and commercial importers who are subject to withholding on income tax have been excluded from sales tax withholding regime.

As per SRO.897(I)/2013, a withholding agent shall deduct an amount equal to one-tenth of the total sales tax shown on the sales tax invoice issued by persons registered as a wholesaler, dealer (including petroleum dealers) or distributor, and make the payment of the balance amount to him. The withholding agent having Free Tax Number (FTN), ie, government departments shall, on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter 1 of the Sales Tax Rules, 2006, deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier and, unless otherwise specified in the contract between the buyer and the supplier, the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply.

Other withholding agents shall on purchase of taxable goods from persons liable to be registered but not actually registered under Chapter 1 of the Sales Tax Rules, 2006 deduct sales tax at the rate of one percent of the value of taxable supplies made to him from the payment due to the supplier and the amount of sales tax for the purpose of this rule shall be worked out on the basis of gross value of taxable supply. Provided that the withholding agent shall not be entitled to reclaim or deduct the amount of tax withheld from such persons as input tax.

Through another SRO, sources said that the rate of withholding tax on goods transport vehicles under Section 234 of the Income Tax Ordinance 2001 has been reduced from Rs 5.00 per kg of the laden weight to Rs 3.00 per kg. The rate of tax as specified in clause (i) of Division III of Part IV of the First Schedule shall be reduced to Rs 3 per kilogram of the laden weight, in the case of goods transport vehicles, other than oil tankers. Moreover, the provisions of clause (a) of section 165, shall not apply in case of manufacturer, distributor, dealer and wholesaler required to collect advance tax under sub section (1) of section 236H of the Income Tax Ordinance 2001.

Kayani likely to stay with new title

October 05, 2013

General Ashfaq Parvez Kayani is likely to stay head of the military with a new title when he steps down as army chief next month, government and security sources said, taking over some of the duties of his successor. The expected move comes at a time when violence is on the rise in Pakistan, tension boils with India over disputed Kashmir and as Prime Minister Nawaz Sharif seeks to shore up a stable government just months into his job.

And for the United States, it would mean continuity in Pakistan's approach ahead of a pullout of most foreign troops in neighbouring Afghanistan at the end of 2014. There has been speculation over who will take over as chief of the army when Kayani steps down.

Sources and aides close to Kayani said Sharif wanted to make him head of a revamped and more powerful Joint Chiefs of Staff Committee (JCSC). One senior intelligence official said Sharif planned to overhaul the JCSC, a largely ceremonial office, into a "central defence body" by restoring its command over the entire military establishment and giving it additional powers.

"The new JCSC chief will be in charge of the nuclear arsenal. He'll decide on action against terrorists," said the source, adding that new powers included the right to promote, post and transfer key military officers. "Basically, the JCSC office will be what it was always supposed to be. The overall boss." Sharif has a history of bitter relations with the army but is keen to preserve a semblance of continuity at a time when Pakistan is struggling to contain a growing Taliban insurgency.

But keeping Kayani in a powerful role would entrench the army once again as the real decision maker in Pakistan, with the civilian government playing second fiddle. Military officials did not return repeated calls seeking comment. The government's spokesman said he also could not comment until an official announcement on Monday when the current JCSC chief is due to step down.

"THE DEVIL THEY KNOW" Kayani's post had already been extended for three years in 2010 - to the discontent of some climbing the ranks below him. Sources close to Sharif said he was unlikely to give him another extension, which would allow movement in the top ranks.

"The JCSC chairmanship is the most likely option for Kayani," said a close Sharif aide. "He's an expert on the Pakistani insurgency. He understands the war in Afghanistan." Under Kayani's command, the army has launched several offensives against al Qaeda and Taliban-linked militants in the tribal regions on the Afghan border. In response, militants have extended their attacks to major cities across Pakistan.

Sharif has a difficult relationship with the army, and picking Kayani's successor will be a defining moment of his second term. Kayani was once intelligence chief to Pervez Musharraf, the army chief who overthrew Sharif in 1999. Lieutenant General Rashad Mahmood, chief of general staff, has emerged as a possible successor and a Kayani favourite.

Other possible candidates include General Tariq Khan, considered pragmatic on US relations, and Lieutenant General Haroon Aslam, the most senior official after Kayani. "Nawaz wouldn't want an overly strong army chief and if Kayani plans to stick around in uniform, then he would prefer someone close to him," a senior retired army officer said. "Rashad is the man."

Either way, Kayani is widely expected to stay on in one form or another. "He won't simply retire and disappear quietly," one Western diplomat in Islamabad said. The relationship with the Americans is also key. "Kayani has a good rapport with the Americans and has worked closely with them in Afghanistan," the prime minister's aide said. "For Sharif and the US, it's better the devil they know."

Troops' withdrawal from Afghanistan: Pakistan, US army leadership hold talks

October 05, 2013

ALI HUSSAIN

Top military leadership of Pakistan and the United States Friday discussed the proposed withdrawal of US forces from Afghanistan and Pakistan's post-withdrawal role, besides agreeing to further advance co-operation on common objectives-cross-border co-operation and regional security. According to spokesperson of the United States Embassy here, General Lloyd J Austin III, Commander of US Central Command (CENTCOM), left Pakistan on Friday after a series of meetings with senior Pakistani leaders.

The spokesperson said that General Austin discussed a wide range of common security issues with Secretary of Defence Lieutenant General Asif Yasin Malik (Retired), Chief of Army Staff General Ashfaq Parvez Kayani, Chairman of the Joint Chiefs of Staff Committee General Khalid Shameem Wynne and other senior military officials.

"General Austin was grateful for the opportunity to meet again with his Pakistani counterparts and reaffirmed the importance of the US-Pakistani security relationship to boost regional stability," the spokesperson said, adding that they agreed to continue to meet periodically to further common objectives on cross-border co-operation and regional security. During his meeting with Defence Secretary Asif Yasin in Rawalpindi, the two sides expressed satisfaction over the meetings of Pak-US defence consultative forum.

The top US military general applauded the role of Pakistan Army in the fight against terrorism. Both the sides discussed the proposed withdrawal of US forces from Afghanistan in 2014, Pakistan's role in post-withdrawal, Pakistan-Afghanistan border situation and the overall security situation in the region.

Meanwhile, a statement issued here after a courtesy call on the Defence Secretary, stated that General Lloyd Austin termed Pakistan a vital partner for regional security while commending Pakistan's efforts in facilitating the drawdown process of US and ISAF Forces. The CENTCOM Commander said that both Pakistan and USA are important to each other's national interests. He added that Pakistan has always been a useful partner and relations between the two countries are progressing with each passing day.

Secretary Defence reiterated that being a pivotal partner to the international community, Pakistan has sacrificed greatly in the war against terror. He asserted that Pakistan wants peace in the region and is ready to play its role for achieving the goal of lasting stability. He said that the Armed Forces and people of Pakistan have courageously fought and withstood the menace of terrorism over the last decade. The Secretary Defence added that Pakistan earnestly wishes for a stable and peaceful Afghanistan and pursues a policy of non-interference in Afghan affairs. Moreover, Pakistan will always facilitate the reconciliation/peace process in Afghanistan for a durable peace in the region.

The visiting US General acknowledged the role played by Pakistan Armed Forces and the sacrifices made in terms of men and material during the war on terror. He added that USA realises the colossal loss of over 40,000 Pakistanis including soldiers and officers of the Armed Forces, as compared to Nato/ISAF forces.

He said that despite highly difficult terrain in border regions and well dug-in enemy, the successes made by Pakistan Armed Forces are highly commendable. He said that Consultative Forums like DCG have helped us cement our military to military relations aimed at improving peace and stability in the region. He further added that continued support in training, education and Coalition Support Fund will be necessary tools to keep relations on solid footing. US Ambassador to Pakistan Richard Olson was also present in the meeting.

Notification withdrawn: Nepra asked to re-determine tariff

October 05, 2013

KHUDAYAR MOHLA

The Supreme Court was informed on Friday that the Federation had decided to withdraw the recently-issued notification on power tariff increase in pursuance of court's orders and to request National Electric Power Regulatory Authority (Nepra) to re-determine the electricity tariff. A three-member bench led by Chief Justice Iftikhar Muhammad Chaudhry resumed the hearing of a human rights case relating to unprecedented loadshedding in the country.

During the course of hearing, Attorney General for Pakistan (AGP) Munir A Malik submitted, "The federal government is requesting the regulator (Nepra) for reconsideration of its determination of tariff of Discos and KESC for the financial year 2012-2013 - The re-determination shall be effected from October 1, 2013 and will include subsidies as per guidelines issued by the Federal Government. In the circumstances, the federal government withdraws the current notification of September 30, 2013."

The Chief Justice questioned whether due process was followed in issuing the notification and inquired about the impact of raise in tariff on the common. He further observed that Nepra was not given full authority to independently determine tariffs. The AGP responded that the federal government had set a tariff lower that what Nepra had actually proposed.

Recalling the contention of Khawaja Muhammad Asif, the present Minister of Water and

Power, during Rental Power Project case that the federal government had no authority to influence the decisions of Nepra, the Chief Justice asked him the legality of the recently issued notification by the federal government. Khawaja Naeem, Chairman Nepra, said the government had already determined the power tariff and its implementation should be allowed. He informed the bench that power distribution companies had already dispatched electricity bills to consumers in accordance with the September 30 notification; to which Chief Justice said that those bills must be withdrawn.

Naeem said that if the notification was withdrawn prior to November, then all the consumers would have to be sent different electricity bills. Justice Jawwad S Khawaja remarked that the government had not devised a strategy to recover Rs 441 billion from defaulters but instead further burdened those consumers who had been paying electricity bills regularly. The hearing of matter was adjourned for two weeks. Taking to the *Business Recorder*, former-vice president of the Supreme Court Bar Association Muhammad Ikram Chaudhry said the government should provide relief to the general public by exempting those using up to 500 units per month from power tariff raise.

Currency movement no current phenomenon: State Bank clarifies

October 05, 2013

The governor appreciates the editorials and articles published in various papers over the past two days on his statement to the Senate Standing Committee on Finance on October 1, 2013 when he pointed out that $25 million was being smuggled out from Pakistan on a daily basis. According to a SBP press release, it may not have been clear at the time, he wishes to clarify that the amount 'is estimated to be up to $25 million but that no one can quantify it precisely on any given day'.

He also had mentioned that this movement of currency is not a current phenomenon but that 'it has been going on for years and that SBP has been voicing its concerns in the past to the relevant law enforcement authorities to arrest this smuggling across borders. We are now encouraged by the close co-operation of law enforcement agencies underway with SBP in formulating steps that we feel will result in reducing this flight of capital and in turn help our economy going forward'.

Sales tax: 45 daily use items not chargeable: FBR

October 05, 2013

The Federal Board of Revenue (FBR) has said that 45 items of daily and essential use are not chargeable to sales tax under existing law. According to an Explanatory Note issued by the

FBR here on Friday, it is informed that the following items of daily and essential use are not chargeable to sales tax.

Vegetables, pulses, fruits, red chillies, eggs, meat, fish, poultry, poultry feeds, ginger, turmeric, locally produced ware potato, locally produced onion, cereals, products of milling industry, ice, sugarcane, salt, fruit juices, bread, nan, chapattis, sheermal, bun, rusk, agricultural produce of Pakistan not subjected to process of manufacture, milk, yogurt, butter, cream, desi ghee, whey, preparations for infant use, fat filled milk, colors in sets, writing, drawing and marking inks, erasers, exercise books, pencil sharpeners, geometry boxes, pens, ball pens, markers and porous tipped pens, pencils colour pencils and colour pencils.

The FBR further said that the Board has not imposed any new tax on household gas and electrical appliances, tiles, tyres etc these goods were chargeable to sales tax on retail price basis. Sales Tax on retail price basis means that sales tax of the complete chain from manufacturer till retailer is paid upfront by the manufacturer. Business community approached FBR on grounds that that this system has posed many practical problems for them and requested FBR to do away with charging sales tax on retail price basis and in its lieu agreed to pay 2 percent additional sales tax (worked out on the basis of actual value addition from manufacturer till retailer) on all these items. This is, therefore, not a new tax or enhancement of existing rate but only collection of tax which even otherwise was payable by the supply chain. "

The news regarding imposition of 2 percent additional sales tax on household gas and electrical appliances, ceramic tiles, tyres, foam & mattresses, auto parts, confectionery items is based on misinterpretation of SRO896(I)/2013 issued on 4th October 2013.

During Budget 2013, all these goods were added in the Third Schedule to the Sales Tax Act, 1990 to charge sales tax on retail price basis. The concept of charging sales tax on the basis of retail price is to charge the complete sales tax of the entire supply chain from the manufacturers till retail stage upfront from the manufacturer. This step was introduced to collect sales tax payable by dealers. Distributors and retailers on their value addition as virtually no collection is being made from these segments for these goods.

FPCCI, KCCI and Trade Associations of all these goods approached FBR with request that it is practically impossible for these sectors to comply with the requirements of printing retail price on each and every item to be sold in the market. These sectors also stated that the prices of these goods vary from market to market due to many circumstances, which makes it even more difficult to comply with the requirements of charging sales tax on retail price basis, FBR said.

FPCCI, KCCI and Trade associations requested that an alternate mode of collection of tax from dealers, distributors and retailers of these goods may be devised but the condition of charging sales tax on retail price basis may be done away with. In line with the requests of the these sectors, FBR omitted these items from the Third Schedule to the Sales Tax Act, 1990, and in its lieu imposed a 2 percent additional tax on these items to be paid by the manufacturers in consultation and with the consensus of the trade bodies to provide relief to the business and for providing ease of business. The rate of 2 percent was also worked out on the basis of actual value addition of these sectors from the manufacturers till retail stage, FBR added.-PR

Taxation: *Pakistan*

Law Division clears rules: ISL form to be issued in two days

October 05, 2013

The Law and Justice Division has duly cleared the Income Support Levy Rules 2013 and a single page return form for payment of 0.5 percent Income Support Levy (ISL) will be issued in next 2 days. Sources told *Business Recorder* here on Friday that the Law and Justice Division has vetted the Income Support Levy Rules 2013 and single page return form.

On clearance from the Division, the FBR will now notify a separate single page return form for payment of 0.5 percent ISL by the registered persons. The taxpayers would be required to specify the details of the moveable wealth on the single page ISL form, sources said. The ISL is payable under Income Support Levy Act, 2013, which is a separate law. As Income Support Levy Act, 2013 is not part of the income tax law, it would be separately issued.

Simultaneously, the FBR will also issue Income Support Levy Rules for the guidance of the taxpayers. Sources said that the ISL has not been made part of the income tax return form issued for non-corporate business individuals, Association of Persons (AOPs) and salaried individuals pertaining to tax year 2013. The single page form would also be treated as challan form for payment of the levy in designated banks, they added. Under the Income Support Levy Act, 2013, the rate of levy payable under this Act shall be 0.5 percent of the net moveable wealth exceeding one million rupees.

Waiver of CNIC-NTN condition: tax lawyer criticises FBR move

October 05, 2013

The newly inserted provision in the Income Tax Ordinance, 2001 to abolish condition of obtaining CNICs, NTNs and addresses of unregistered retailers is against the policy of broadening the tax base and hampers the drive for documentation of the economy. A Lahore-based tax lawyer Waheed Shahzad Butt told *Business Recorder* on Friday that the newly inserted clause 81 in part IV of Second Schedule to the Income Tax Ordinance, 2001 seems to defeat the spirit of law to broaden the tax base.

Tax lawyer further stated that in the light of provision of section 165 of the Ordinance, every person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall, furnish to the Commissioner a monthly statement on the prescribed form with the following particulars:

(a) the name, Computerised National Identity Card Number, National Tax Number and address of each person from whom tax has been collected under Division II of this Part or Chapter XII or to whom payments have been made from which tax has been deducted under Division III of this Part or Chapter XII in each month;

(b) the total amount of payments made to a person from which tax has been deducted under Division III of this Part or Chapter XII in each month;

(c) the total amount of tax collected from a person under Division II of this Part or Chapter XII or deducted from payments made to a person under Division III of this Part or Chapter XII in each month

The provisions of section 236H governing advance tax on sales to retailers, states that every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertiliser, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made. Credit for the tax collected under sub-section (1) shall be allowed in computing the tax due by the retailer on the taxable income for the tax year in which the tax was collected.

As per law governing withholding tax statements, there are three basic conditions which must be fulfilled to complete a transaction of withholding.

Firstly, there will be name, Computerised National Identity Card Number, National Tax Number and address of each person from whom tax has been collected or to whom payments have been made from which tax has been deducted. Secondly, total amount of payments made to a person from which tax has been deducted under the Income Tax Ordinance, 2001;

Thirdly, total amount of tax collected from a person or deducted from payments made to a person under the Income Tax Ordinance, 2001.

If first condition has been skipped or exempted then what will be outcome of this anomaly, in whose name tax deducted by manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertiliser, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, shall be deposited and who will claim the benefit of such tax deduction? Present move by the FBR would adversely affect the documentation of economy drive, tax lawyer added.

ST on all sorts of fabrics: FBR accused of creating distortion

October 05, 2013

The Federal Board of Revenue (FBR) has created distortion by imposing 3 percent uniform rate of sales tax on all sorts of fabrics without distinguishing between the finished and raw fabric under SRO.898 (I)/2013. Arshad Shahzad a renowned Karachi-based tax expert told *Business Recorder* on Friday that the FBR has introduced 3 percent, sales tax on fabric vide notification 898 in order to accept demand of business community as promised by Finance Ministry.

According to details, FBR in Finance Bill (2013) has introduced 17 percent sales tax on finished goods. Later, rate of tax was reduced to 5 percent vide notification 682(I)2013, however, a debate over application of 5 percent tax on finished fabric continued for some time. The Board in recent meetings with trade has agreed to introduce 3 percent sales tax on finished fabric to give separate treatment to the extent of finished fabric. However, while issuing notification FBR has imposed 3 percent tax on all sorts of fabric instead of distinguishing between finished and raw fabric.

To a question Arshad Shahzad clarified that the industrial input is subject to reduced of 2 percent sales tax in terms of clause vi of notification 1125, hence, un-processed fabric or processed fabric used as industrial input for manufacturing being one of the industrial input of textile export sector was chargeable to sales tax @2 percent. Now since under new amendment word fabric has been used for application of 3 percent sales tax rate, practically rate of sales tax has been increased on this textile raw material. Therefore, the Board rather extending incentive intentionally or un-intentionally has disincentives this sector which manufacturer further add to the misery of textile export sector. Shehzad said, rather introducing a new overriding clause, the board is only required to add word finished fabric in table 2 of notification 1125 with applicable 3 percent rate of tax.

Business & Economy

Weekly inflation up by 0.06pc

Friday, 04 October 2013 14:59

Posted by Parvez Jabri

ISLAMABAD: The Sensitive Price Indicator (SPI) for the week ended on Oct 3 for the lowest income group up to Rs. 8,000 registered an increase of 0.06 percent as compared to the previous week.

The SPI for the week under review in the above mentioned group was recorded at 199.57 points against 199.45 points registered in the previous week, according to data of Pakistan Bureau of Statistics (PBS).

The weekly SPI has been computed with base 2007-2008=100, covering 17 urban centers and 53 essential items for all income groups and combined.

The SPI for the combined group recorded increase of 0.20 percent and reached at 204.06 points which stood at 203.65 points in previous week.

As compared to the corresponding week of last year, the SPI for the combined group in the week under review swelled by 9.15 percent.

As compared to the last week, the SPI for the income groups from Rs.8001-12,000, 12,001-18,000, 18001-35,000 and above Rs.35,000 increased by 0.08 percent, 0.10 percent, 0.17 percent and 0.33 percent respectively.

During the week under review average prices of 9 items registered decrease, while that of 18 items increase with the remaining 26 items' prices unchanged.

The items which registered decrease in their prices during the week under review included tomatoes, LPG (ii kg cylinder), tea, garlic, gur, garm pluses (washed), banana and egg hen (farm).

The items which recorded increase in their average prices included diesel,petrol, potatoes, match box, sugar, chicken live (farm), kerosene oil, mash pulse (washed), moong pulse (washed), beef, wheat, onion, wheat flour bag, masoor pulse (washed), mutton, milk powder, rice irri-6 and fire wood.

The items with no change in their average prices during the week under review included rice basmati (broken), bread plain, milk fresh, curd, mustard oil, cooking oil (tin), vegetable ghee (tin), vegetable ghee (loose), salt powder, cooked beef plate, cooked dal plate, tea prepared cup, cigarettes, long cloth, shirting, lawn, georgette, sandal gents, chappal spang, sandal ladies, electric charges, gas charges, energy savor, washing sop, telephone local call and bath soap.

CCMG to focus on cotton crop situation

Friday, 04 October 2013 14:53

Posted by Parvez Jabri

MULTAN: Punjab Agriculture minister Dr Farrukh Javed would chair a meeting of Cotton Crop Management Group (CCMG) on Oct 8 here at Central Cotton Research Institute (CCRI) to discuss current situation of cotton crop and prepare recommendations to meet targets.

The important CCMG meeting would be attended by all the stakeholders of cotton economy besides agriculture scientists and senior officials including Director Generals (DGs) agriculture extension, research, and pest warning, director agriculture information, director cotton Punjab, district officers agriculture extension from Multan, Sahiwal, Bahawalpur and DG Khan divisions, and senior officials of water management and energy, said a release by media liaison unit of Punjab agriculture department.

Progressive growers, pesticides and fertilizers' companies representatives would also be there to share their opinions with the participants on different issues related to cotton.

The agriculture minister would later brief media on Punjab government's priorities and initiatives for upgradation of agriculture sector.

Industries & Sectors

IESCO sets up 16 new grid stations in last five years

Friday, 04 October 2013 17:38

Posted by Shoaib-ur-Rehman Siddiqui

ISLAMABAD: Islamabad Electric Supply Company (IESCO) has set up 16 new grid stations of 132 KV with a total cost of Rs.2652.392 million during the last five years.

Official sources told APP here that four new grid station were constructed with sum of Rs.798.392 during fiscal year 2012-13, six grid stations in 2011-12 with Rs.936 million, five grid stations with Rs.783 million in 2010-11 and one grid station with Rs.135 in 2008-09.

They said that 10 grid stations of 132 KV were also upgraded which cost Rs. 971.865 million during the said period.

They said that with the upgradation and installation of new grid stations, low voltage and tripping issues were also addressed and the consumers were getting smooth and uninterrupted power supply.

The sources said the company collected Rs 79,445 million revenue with 100 per cent recovery from private consumers during fiscal year 2012-13.

They said IESCO sold 7764 units against the total received 8573 units in the last fiscal year and the company transmission and distribution losses stood at only 9.4 per cent.

As many as 85,909 new connections were given to various consumers during the last financial year, they said.

Out of total, 75,833 domestic, 9323 commercial, 463 industrial, 290 tubewells and others connections were given during the said period.

Increase in power tariff to jack up CNG price: Association

Friday, 04 October 2013 14:49

Posted by Parvez Jabri

ISLAMABAD: The All Pakistan CNG Association (APCNGA) has claimed that upward revision in the tariff of electricity and petroleum prices will result in increase in the price of Compressed Natural Gas (CNG).

The recent price revision has increased difficulties for the masses who were already overburdened in wake of the double-digit inflation, claimed Ghiyas Abdullah Paracha, Chairman Supreme Council APCNGA in a statement.

He said the decision regarding CNG loadshedding should be taken back to avoid impact on the masses.

He said increase in the electricity tariff for the CNG filling stations by Rs.6 per unit should be withdrawn as it had added to problems for the sector.

Ghiyas Paracha said that increased price of power, petrol, diesel and above all increase in dollar value against the local currency have badly damaged all the economy including the CNG sector.

He said the government should immediately reverse the prices or notify new CNG price otherwise owners of the CNG filling stations would be left with no option but to close business, resulting in hardships for the masses.

He said if the government was bent upon steep rise in power prices then it should ensure uninterrupted power supply to the CNG sector.

Paracha said government should end loadshedding of the CNG sector to reduce oil import bill as well as inflation and to boost forex reserves and environment.

Cotton and Textiles: *Pakistan*

Cotton market: prices extend losses on muted demand

October 05, 2013

Prices showed further decline as growers were trying to sell as much as they can ahead of Eid holidays and partly because of comfortable position, dealers said. The official spot rate came down for the third day as the total loss was Rs 300 to Rs 6950, they said. Prices of seed cotton in Sindh per 40 kg were Rs 2600-3050, while in Punjab rates were at Rs 2900-3050, dealers said. In the ready session, around 15,000 bales of cotton changed hands between Rs 6850-7050, they said.

Leading millers and spinners kept on the sidelines on long holidays in China because of local festivals and the US government shutdown, cotton analysts said. An expected fall in yarn demand from importing countries is emerging as negative factor, said cotton analyst Naseem Usman. According to the Reuters, the New York cotton prices climbed to a six-week high on Thursday as traders monitored a tropical storm brewing in the Gulf of Mexico, threatening crops in major cotton-growing US states. The buying helped prices recover from the previous day's losses caused by uncertainty over the US government shutdown.

The most-active December cotton contract on ICE Futures US settled up 0.57 cent (0.44 cent?), or 0.65 0.5 percent, at 87.44 cents a lb. Prices hit 87.78 cents, their highest level since August 21. Fiber outperformed the broader commodity market, with the Thomson Reuters-Jefferies CRB index, a closely watched indicator for commodities, down 0.31 percent on the day.

The following deals were reported as 1,200 bales of cotton from Khair Pur at Rs 7050, 2,000 bales from Upper Sindh at Rs 7050, 400 bales from Sanghar at Rs 6700, 400 bales from Duniya Pur at Rs 6850, 400 bales from Burewala at Rs 6900, 400 bales from Chistian at Rs 6900, 400 bales from Vehari at Rs 6975, 400 bales from Multan at Rs 7000, 800 bales from Shujabad at Rs 7000, 1,400 bales from Kabir Wala at Rs 7000, 1,400 bales from Khanewal at Rs 7000, 1,000 bales from Bakhar at Rs 7000, 400 bales from Arif Wala at Rs 7000, 400 bales from Muhammad Pur Dewan at Rs 7000, 600 bales from Fazil Pur at Rs 7000, 2,000 bales from Rajan Pur at Rs 7000, 400 bales from Tonsa Sharif at Rs 7000, 400 bales from Faqir Wali at Rs 7050, 2,000 bales from Haroonabad at Rs 7050, they added.

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The KCA Official Spot Rate for Local Dealings in Pak Rupees

FOR BASE GRADE 3 STAPLE LENGTH 1-1/32"

MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

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Rate	Ex-Gin	Upcountry	Spot Rate	Spot Rate	Difference
	For	Price	Ex-Karachi	Ex. KHI. As on 03.10.2013	Ex-Karachi

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37.324 Kgs	6,950	155	7,105	7,155	-50
Equivalent					
40 Kgs	7,448	155	7,603	7,657	-54

Cotton and Textiles: *World*

Cotton climbs to six-week high as storm approaches cotton belt

October 05, 2013

New York cotton prices climbed to a six-week high on Thursday as traders monitored a tropical storm brewing in the Gulf of Mexico, threatening crops in major cotton-growing US states. The buying helped prices recover from the previous day's losses caused by uncertainty over the US government shutdown. The most-active December cotton contract on ICE Futures US settled up 0.57 cent (0.44 cent?), or 0.65 0.5 percent, at 87.44 cents a lb. Prices hit 87.78 cents, their highest level since August 21.

Fibre outperformed the broader commodity market, with the Thomson Reuters-Jefferies CRB index, a closely watched indicator for commodities, down 0.31 percent on the day. US equities fell and the dollar hit an eight-month low, as investors worried abouut the US government shutdown. Physical traders bought fibre bracing for Tropical Storm Karen which has formed in the south-eastern Gulf of Mexico, to sweep through Alabama, Georgia, South Carolina and North Carolina, some big cotton growing states.

Heavy rains and wind could damage crops, which have already been delayed in Texas, the country's largest growing state. "Prices have recovered off the lows and there is some anticipation of the lateness of the crop," said Mike Quinn, president of the Carolinas Cotton Growers Co-operative. He represents farmers in Virginia, Georgia, North and South Carolina.

"There is still some pretty good demand out there. I think the specs are continuing to hold long positions," he added. In the week to September 24, data showed speculative investors were holding a net long position in fibres, although it is their smallest long since January this year. Ferocious speculative buying has propelled cotton's 12 percent rise this year. The US Commodity Futures Trading Commission will publish data for the week to October 1 on Friday.

Traders had to do without the weekly cotton export sales report, an key indicator of demand for US cotton from the US Department of Agriculture and the fist major statistic missing as US government closure entered its third day. "Today we got our first little taste of it with our Thursday export reports not being available. I do think that adds uncertainty to the market," said Lou Barbera, cotton dealer at ICAP Cotton in New York. On Wednesday evening, IntercontinentalExchange Inc announced it would employ emergency measures to access premiums and discounts for its October contract after the USDA stopped publishing those numbers. The move will have little impact on the contract which only has one lot of open interest left with four trading days before it expires. But it gave traders a glimpse into potentially more serious complications that could affect the December contract, which represents the upcoming 2013/14 harvest, if there is a prolonged US government shutdown.

Agriculture and Allied: *Pakistan*

'Pakistan facing water aggression of India'

October 05, 2013

Federal Minister for Defence Production Rana Tanveer Hussain said here on Friday that Pakistan was facing water aggression of India after the Kashmir dispute and the United Nations had also failed to resolve the issue in seven decades. Addressing a "Kashmir: Haq-e-Khud Iradiyyat (right of self-determination)" conference arranged by Nazria-e-Pakistan Trust, the minister said Pakistan would continue its moral and diplomatic support to the people of Kashmir.

Rana Tanveer called upon the United Nations to play its role in resolution of the dispute as durable peace was not possible in South Asia until a peaceful settlement of the Kashmir dispute according to aspirations of Kashmiris. He said PML-N supported the Kahmiris' right to self-determination and wanted a peaceful solution of the issue. Nawa-e-Waqt and Nation chief editor Majid Nizami, Moulana Muhammad Shafi Josh, President Nazria-e-Pakistan Forum, Azad Kashmir, Dr Muhammad Rafiq and Fareed Paracha also spoke.

Paapam chief for revival of tractor industry

October 05, 2013

The country's tractor industry has almost closed, as one of the major manufacturer Al-Ghazi Tractors has stopped its production for the last three months, while Millat Tractors Ltd is presently operating at 20 percent of its total production capacity. According to Paapam Chairman, Usman Aslam Malik, this has rendered some 300 + tier 1 suppliers and thousands of workers who work in these factories and downstream industries out of work.

The rest of the small tractor assemblers had also suspended their production, as new orders were not arriving from the cash-starved and flood-hit farmers of the country, he added. Due to high tractor prices that basic tool of agriculture was no longer within reach of even the large land holding farmers and there had been no support both at federal and provincial level in the new government set-up, he said.

Usman said the lack of farm mechanisation policy at federal and provincial level, high level of taxation on tractors as compared to the regional counties, high inflation, floods, devaluation of rupee and unprecedented hike in power tariffs had dragged down the sale of tractors, leading to dead level production despite having capacity of producing 80,000 units annually.

"Thousands of auto parts manufacturing units which provide 92 percent parts to the tractor industry are laying off their 0.5 million workers after closure of tractor manufacturing units. Usman suggested to the authorities to launch schemes of soft loans to revive the industry based on total tractor production capacity in the country, which was currently over 80,000 units per annum.

Import of urea, oil: government to borrow $150 million from IDB

October 05, 2013

ZAHEER ABBASI

Government would borrow $150 million from Islamic Development Bank (IDB), of which $50 million are for import of urea and $100 million for oil import. Finance Ministry in a working paper submitted to the Senate Standing Committee on Finance stated that an agreement for Murabaha Financing facility worth $50 million for import of urea is in the process.

The facility has been negotiated with IDB at fixed mark up rate at 5.25 percent for a financing period of one year. Trading Corporation of Pakistan (TCP) is the executing agent of the agreement. The committee was further informed that another agreement for Murabaha Financing Facility worth $100 million for import of oil and oil products is also under process. The facility has been negotiated by 1DB with Pak Arab Refinery Company as executing agency.

The Economic Affairs stated that IDB was requested for a short- term commodity Murabaha financing facility of euro 750 million on the advice of Finance Division and initiative of State Bank of Pakistan (SBP). The committee was informed that Murabaha Financing in this context is used for short- term financing to support balance of payments. The terms and conditions of financing were negotiated in consultation with Finance Division and State Bank of Pakistan which were finalised for euro 100 million. The euro 100 million has already been transferred to Pakistan on August, 15, 2013.

The remaining amount of euro 650 million is still being negotiated through State Bank of Pakistan and the amount is expected to be transferred in due course of time. The EAD added that the short term financing of euro 750 million is on concessionary terms. The IDB was requested to provide the financing for one year on 12 months Euro Libor+230 bps on the advice of Finance Division and IDB agreed to provide the financing on the terms requested.

Japan non-project aid 40,000 tons of urea to arrive tomorrow

October 05, 2013

RIZWAN BHATTI

First urea consignment of 40,000 tons, under Japan non-project grant worth $21 million, is arriving Sunday. Sources said Japan International Co-operation System (JICS) is facilitating utilisation of available funds under Japan"s Non-Project Grant Aid 2009 (1st), 2009. This will be around $21.35 million and last month JICS finalised a deal with M/s Key Trade AG Switzerland for the import of some 71,000 tons of urea for Pakistan.

On behalf of government of Pakistan, state run grain trader - Trading Corporation of Pakistan (TCP) is responsible for the import of this urea, while, National Fertiliser Marketing Limited (NFML) will manage the handling, transportation and distribution of the imported urea. Complete quantity of urea under Japan grant will arrive through two shipments - the first consignment is reaching Pakistan on October 6, 2013. "A ship MV Thor Harmony carrying 40,000 tons of urea has already sailed from Qatar and is likely to berth at FAP Terminal at Port Qasim on Sunday evening or early Monday morning," they said. Next shipment for the remaining quantity is likely to arrive in next two weeks, they added.

M/s CISCO Private Limited, Karachi has been appointed as pre-shipment inspection (PSI) agent by the TCP to supervise the urea loading at the loading port. Sources said urea arrived under Japan non-project grant will be sold to farmers/dealers at market rate and after paying the expenditure cost to TCP and NFML remaining income generated form this urea will be deposited in a separate account for other projects.

Japan aid in shape of urea is very beneficial to Pakistan as presently it is facing shortage of urea and the domestic producers are unable to meet the domestic demand mainly due to gas curtailment. The country is already importing urea on an urgent basis to avoid any shortage in the domestic market. Import of 0.3 million tons of urea is already in process and so far some 263,000 tons of urea has arrived through seven shipments.

In addition, last Thursday the Economic Co-ordination Committee of the Cabinet has directed the TCP to import another quantity of 0.5 million tons of urea for local consumption. On July 22 this year, JICS issued a tender for the import of about 71,000 tons of urea for Pakistan and in response, lowest offer was received from M/s Key Trade AG Switzerland, which agreed to supply same quantity at $299.95 per ton (including cost and freight and pre-shipment inspection).

As the lowest bid was according to prescribed terms and conditions, JISC awarded the tender to the lowest bidder. As per contract letter M/s Key Trade will supply 71,178 tons (10 percent plus-minus) against the tender. The supply will be made from Gulf origin (Qatar, Kuwait, Bahrain, UAE, Oman or Saudi Arabia).

Khursand elected PPA's chairman for North Zone

October 05, 2013

Pakistan Poultry Association (PPA) has elected its veteran poultry industry leader Raza Mehmood Khursand as its new chairman for North Zone. He has been elected as chairman for the fourth time. The whole Zonal Executive Committee (ZEC) unanimously elected Raza Mehmood Khursand for the tenure of 2013-14.

The Zonal Executive Committee (ZEC) in its annual general meeting also elected members including Dr Mustafa Kamal, Dr Jamsheed Ismail, Sagheer Hussain, Rana Rauf Anwar, Chaudhry Nusrat, Shoaib Zahid Malik, Rana Ghulam Mustafa, Haji Altaf Haider and Rai Wlaiat Ali. Speaking on this occasion, the newly elected chairman said it was honour for him to be elected as chairman for the fourth time. He paid his tribute to whole leadership, and said working for the betterment of poultry industry would be his first priority.

Fuel and Energy: *Pakistan*

Notification withdrawn: Nepra asked to re-determine tariff

October 05, 2013

KHUDAYAR MOHLA

The Supreme Court was informed on Friday that the Federation had decided to withdraw the recently-issued notification on power tariff increase in pursuance of court"s orders and to request National Electric Power Regulatory Authority (Nepra) to re-determine the electricity tariff. A three-member bench led by Chief Justice Iftikhar Muhammad Chaudhry resumed the hearing of a human rights case relating to unprecedented loadshedding in the country.

During the course of hearing, Attorney General for Pakistan (AGP) Munir A Malik submitted, "The federal government is requesting the regulator (Nepra) for reconsideration of its determination of tariff of Discos and KESC for the financial year 2012-2013 - The re-determination shall be effected from October 1, 2013 and will include subsidies as per guidelines issued by the Federal Government. In the circumstances, the federal government withdraws the current notification of September 30, 2013."

The Chief Justice questioned whether due process was followed in issuing the notification and inquired about the impact of raise in tariff on the common. He further observed that Nepra was not given full authority to independently determine tariffs. The AGP responded that the federal government had set a tariff lower that what Nepra had actually proposed.

Recalling the contention of Khawaja Muhammad Asif, the present Minister of Water and Power, during Rental Power Project case that the federal government had no authority to influence the decisions of Nepra, the Chief Justice asked him the legality of the recently issued notification by the federal government. Khawaja Naeem, Chairman Nepra, said the government had already determined the power tariff and its implementation should be allowed. He informed the bench that power distribution companies had already dispatched electricity bills to consumers in accordance with the September 30 notification; to which Chief Justice said that those bills must be withdrawn.

Naeem said that if the notification was withdrawn prior to November, then all the consumers would have to be sent different electricity bills. Justice Jawwad S Khawaja remarked that the government had not devised a strategy to recover Rs 441 billion from defaulters but instead further burdened those consumers who had been paying electricity bills regularly. The hearing of matter was adjourned for two weeks. Taking to the *Business Recorder*, former-vice president of the Supreme Court Bar Association Muhammad Ikram Chaudhry said the government should provide relief to the general public by exempting those using up to 500 units per month from power tariff raise.

Fuel adjustment surcharge: stay order withdrawn

October 05, 2013

Withdrawing stay order against the recovery of fuel adjustment charges in electricity bills, Lahore High Court here on Friday directed petitioners to deposit the first instalment of surcharge by October 28 and second by November 19. Earlier, during the course of hearing, Lesco"s counsel told the court that the subject matter had been heard by different courts, including the Supreme Court.

The petitioners" counsel, however, argued that new legal points had been raised in the instant petitions which were never discussed before any court. The court withdrew a stay order and adjourned the hearing of case to October 25 for further arguments. The petitioners, Tariq Javed and others, have challenged the amendment in section 31 (4) of Nepra Act made through Finance Act 2008 which led to the levy of fuel adjustment surcharge.

The petitioners said the electricity consumers had been subjected to illegal, unlawful and arbitrary prices of electricity. They said such rise in electricity prices would cause joblessness and economic failure of Pakistan as a nation. They stated that after amending the Nepra Act, fuel adjustment surcharge was being recovered from consumers.

Sindh to claim 50 percent royalty on oil, gas exploration

October 05, 2013

Provincial Minister for Parliamentary Affairs Dr Sikandar Mandhro has said that Sindh Government has decided to claim its 50 percent royalty of oil and gas which is being explored from Sindh, under the 18th Constitutional Amendment. This he said in a meeting with a delegation of United Energy Pakistan Ltd here on Friday. He said the 50 percent royalty will be claimed from the Federal Government after the assessment of oil and gas being explored from the province.

The minister said that under the 18th Amendment all provinces have right to claim 50 percent royalty of oil and gas, explored from the province from Federal Government.

Khyber Pakhtunkhwa chief minister vows to exploit full potential of natural resources

October 05, 2013

Chief Minister of Khyber Pakhtunkhwa Parvez Khttak has said that the province of KP is endowed with rich natural resources of oil, gas and hydel potentials and his government will make every effort for better utilisation. Presiding in a high level meeting held at KP House in Islamabad, the chief minister approved restructuring the administrative framework of government owned oil gas company, as well as the Pakhtunkhwa Hydel-power Development Organisation (PHYDO).

The restructuring will facilitate quick decision making and hiring of key technical and administrative human capital on market based salaries. The KP government will also put sizable investment in its financial obligations for achieving the physical goals and attracting ample Foreign Direct Investment (FDI) in the three sectors of oil, gas and hydro power.

Earlier, meeting representatives from MOL Pakistan Oil & gas Co, lead by Ali Murtaza Abbas political advisor met with the chief minister and presented a brief on the company's performance in KP. MOL Group, a leading integrated oil & gas group in Central & Eastern Europe headquartered in Hungary, is a market leader in each of its core activities in Hungary, Slovakia & Croatia.

MOL Pakistan as operator of TAL Block has six successive discoveries to its credit. These are Manzala, Makori-1Mami-Khel-1, Maramzai-1, Margalla and Karak. Leasing of a few sites is yet in the process of approval at Federal Government. The Chief Minister was informed that the company was producing 306mmscftd, which was sufficient to meet the requirements of KPK, while the Oil exploration was 15,500 barrels per day. MOL has set up new plant starting production of 300MTons of LPG in early next year. This will give a substantial relief to the LPG consumers.

Pervez Khattak appreciated various social responsibilities being met by MOL Pakistan. The participants of the meeting ware informed that MOL was awarding merit scholarship for talented and deserving students, providing medical services and organising free Medical and Eye camps at the various locations of area.

It has also contributed to a large number of water supply and purification scheme, sanitation in various villages and construction, improvement of infrastructure. It is also involved in construction of schools and provision of examination halls, construction of roads, pavements, construction of basic health units, medical wards, construction of mosques etc. With regard to environmental protection, the company has launched plantation campaign in collaboration with district government authorities.

Power tariff: Abid says new summary to be sent to Nepra

October 05, 2013

Minister of State for Water and Power, Abid Sher Ali has said "we are law-abiding people and we give due honour to the judiciary thus we have withdrawn the notification of power tariff hike and the government would send a new summary to Nepra to determine electricity prices."

He was talking to media persons in Mepco Headquarter on Friday. He said that KESC, other departments and Discos would have to clear all dues to run the system. He disclosed that all feeders running in losses or with high line losses would be closed. He said power thieves would not be spared and there would be no leniency for the power and gas thieves. To a question, Abid Sher Ali said that extortionists and anti-state elements would be dealt with iron hands. The minister said that government was taking far reaching steps to bring down the electricity tariff from Rs 18 to Rs 10 per unit.

He asked Mepco's Chief Executive Abdul Mateen Khan to upgrade the power transmission system in the region for smooth supply of electricity to the consumers. On a complaint against Director Human Resource Zafar Iqbal, he ordered an inquiry and said "there is no place for the corrupt and dishonest officers in my department." He asked the Mepco's chief executive to give weekly briefing to the mediamen about the performance of Mepco. Hundreds of employees of Mepco who were removed from services staged a demonstration in front of Mepco headquarter and demanded for reinstatement of their services.

Fuel and Energy: *World*

Oil ends higher as offshore output cut due to storm

October 05, 2013

Oil eked out its first gain in three weeks as half of oil production in the US Gulf of Mexico was offline from an approaching storm. Gains were capped as the budget stand-off in the United States continued and uncertainty about when it would end gripped the market. Meanwhile, in the latest political wrangling, US House of Representatives Democrats worked on a manoeuvre that would force a vote on legislation to fully reopen the federal government immediately.

Oil and gas firms shut in platforms and evacuated some workers stationed offshore in the US Gulf of Mexico on Friday, as Tropical Storm Karen moved through the basin, which is responsible for about one-fifth of total US oil output. US oil ended the day 53 cents higher at $103.84 a barrel after trading as high as $104.19. The front-month contract ended the week with a 0.94 percent gain.

Brent crude oil ended 46 cents higher at $109.46 a barrel, after trading as high as $109.77. Brent ended the week less than one percent higher, following three weeks of losses. Still analysts ruminated over how much impact the storm would have as US onshore oil production grows and as the storm may quickly pass. "The Gulf output is still material, but any shut-ins will be quickly reversed and the output will not be missed," said John Kilduff, partner at Again Capital LLC in New York.

Analysts were in agreement about how the continued budget showdown in Congress would hurt oil demand as it stifled economic growth. "The hit to economic activity from the government shutdown is also offsetting some the angst that Karen would otherwise generate," Kilduff said. As the shutdown entered its fourth day - with nearly 1 million government workers at home without pay - some federal agencies and programs stopped functioning, cutting into the release of key economic data.

Global leaders and analysts were concerned the shutdown would hurt economic growth and limit oil demand in the world's largest oil consumer. Oil pared gains sharply earlier in the session after US House of Representatives Speaker John Boehner said the House will not vote on a spending bill to end the government shutdown if it did not have conditions. He also demanded spending cuts in exchange for raising the government's debt ceiling.

The comments suggested the political stalemate in Washington would continue. Also, the United States faced the possibility of defaulting on its financial obligations on October 17 as the opposing political parties remained locked in debate over whether to raise the debt ceiling.

The dispute over US government spending has weighed on financial markets and sapped the dollar, which was off an eight-month low of 79.627 on Friday against a basket of major currencies. It was last trading at 80.101. A weaker dollar is supportive for oil, as importing nations find it cheaper to buy dollar-priced oil in their own currencies.

Iran thaw warms Western oil company interest

October 05, 2013

The tempting taboo of Iran's oil and gas riches has moved a step nearer for Western oil companies, lining up to woo Tehran if sanctions finally succumb to a diplomatic thaw. US oil firms - barred by Washington from Iran for nearly two decades - planned to meet Oil Minister Bijan Zanganeh last week at the United Nations, encouraged by the new tone in Tehran, industry sources said.

"We're willing to talk: Iran's got tremendous potential," said a senior executive from a major US oil company who requested anonymity while preparing for exploratory talks. "Once sanctions are removed, we'd definitely be interested in investing, but the contract terms have got to be attractive." US companies Conoco, Chevron, Exxon Mobil and Anadarko have all shown varying degrees of interest in the Islamic Republic ever since Tehran nationalised its energy sector in 1979.

That move ejected major Western players including BP - doubly tainted in Iranian eyes for its history there dating back to the political turmoil of the 1950s and beyond. Zanganeh served as oil minister under Iran's reformist government from 1997-2005. He intended to travel with President Hassan Rouhani to New York, but called off the trip at the last minute, the sources said.

Executives from US and European companies will be seeking new opportunities to meet with Iranian oil officials on neutral ground, industry sources said. US and European companies contacted by Reuters declined comment for this story. "There is no embargo on talks," said a senior European oil executive, who requested anonymity. In step with his president's efforts to end sanctions, Zanganeh has re-appointed Western-friendly oil experts, including his former deputy, Mehdi Hosseini, and ordered a review of Iran's buy-back contracts that compensate foreign investors with production.

"Iran is in very dire need of foreign investment," said consultant Mehdi Varzi, formerly of the National Iranian Oil Co. "There needs to be a wholesale change of thinking." Oil executives expect any progress to be very slow. They are used to playing a long game.

US oil firms have made some abortive approaches over the years, but have been forced to watch as European rivals, principally Royal Dutch Shell and France's Total stole a march on Iran, the world's no. 1 holder of gas reserves and fourth biggest oil reserves. Back in 1995, Conoco struck a deal with Tehran for the offshore Sirri oilfield, but the Clinton Administration blocked it, calling the agreement a threat to national security. The contract went to Total and Washington has ruled out Iran for US oil companies ever since, but it could not stop them from talking with Iranian officials and looking at their oil data.

In the early 2000s, Conoco and Chevron showed interest in prized Iranian assets including the giant Azadegan oilfield that nudges up against Iraq's Shell-operated Majnoon field, and the huge South Pars gas field that Iran shares in Gulf waters with Qatar, where it is known as the North field. Oil company top brass regularly called on Washington to lift the unilateral sanctions that locked them out of Iran.

But any hopes of a US softening towards former reformist President Mohammad Khatami came to a halt in January 2002, when President George W. Bush in a state of the union address named Iran as part of an "axis of evil". Oil companies shifted their focus to neighbouring Iraq. The United States tried to keep Europe's oil majors out of Iran with the Iran-Libya Sanctions Act, which required Washington to impose sanctions on foreign companies that invested more than $20 million a year in its energy sector.

But the US law proved toothless. One of Zanganeh's crowning achievements from his previous stint as oil minister was to get Total, Shell and Italy's Eni into Iran - securing over $10 billion of investment in the process. Shell, Total, BP and Exxon Mobil have signed service contracts with Iraq that are designed to raise production towards 9 million bpd by 2020. Baghdad's bold oil expansion has already pushed it to 3 million bpd and vaulted it to second position among producers in the Organisation of the Petroleum Exporting Countries, above fellow-member Iran.

Southeast Asia oil bill to hit $240 billion by 2035: IEA

October 05, 2013

Southeast Asia's huge appetite for energy will see its bill for imported oil surge to $240 billion by 2035, leaving nations exposed to price shocks, the International Energy Agency warned Wednesday. The region will guzzle more than five million barrels of oil per day - double current levels of consumption - to fuel its breakneck economic growth, the IEA said.

Total energy demand is expected to increase by more than 80 percent over the same period, according to the agency. The 10 members of the Association of Southeast Asian Nations will need to invest a total of around $1.7 trillion in energy-supply infrastructure between now and 2035, it predicted. It forecast the region would become the world's fourth-largest oil importer, after China, India and the European Union. "Increasing reliance on oil imports will impose high costs on Southeast Asian economies and leave them more vulnerable to potential disruptions," the IEA said.

Imported oil will cost the equivalent of four percent of GDP across the zone, with Thailand and Indonesia likely to see their bills triple to nearly $70 billion a year by 2035. ASEAN nations are expected to slash exports of natural gas and coal as they divert abundant resources to burgeoning domestic demand for energy, in a region where roughly 134 million people lack access to electricity. Nearly two-thirds of Cambodians do not have access to electricity, the report said, joining half of Myanmar's population and around a quarter of Indonesians - some 66 million people.

"Coal is emerging as the fuel of choice because of its relative abundance and affordability in the region," the study said, adding there is an "urgent need for more efficient coal-fired power plants". Resource-rich Indonesia will see its coal production surge by nearly 90 percent as it cements its place as the world's top exporter of steam coal, the forecast said. The IEA blamed $51 billion of fuel subsidies for cramping investment in renewable or more efficient energy sources while boosting smuggling, mainly of oil, to areas where prices are higher. Typically introduced to help the poor, "they have resulted in serious market distortions while failing to meet their intended objectives," according to the study.

EU preparing to charge Gazprom in antitrust case

October 05, 2013

EU regulators are preparing to charge Russian gas export monopoly Gazprom with abusing its dominant position in central and eastern Europe, the EU's antitrust chief said on Thursday, in a move that could lead to a fine of up to $15 billion. The European Commission's action against Gazprom is likely to ratchet up the tension between Europe and Russia, which has criticised EU attempts to boost energy market competition and end its over-reliance on Russian supplies.

Gazprom accused of abusing dominant position

Could face fine of up to $15 billion

Move likely to increase tensions with Russia

It could also play into tensions with Russia over the EU's plans to build closer trade ties with six former Soviet republics, including Ukraine. Moscow has threatened to raise Ukraine's gas prices or limit supplies if Kiev signs a free-trade agreement with the EU in November.

The comments by EU Competition Commissioner Joaquin Almunia come after a year-long investigation and raids of several Gazprom units and its clients in central and eastern Europe. Gazprom supplies a quarter of Europe's gas consumption needs. The EU antitrust regulator said at the time that Gazprom may have hindered the free flow of gas across the EU and imposed unfair prices on its customers by linking the price of its gas to oil prices.

Speaking at a conference in the Lithuanian capital Vilnius, Almunia said the EU's executive was preparing a charge sheet against Gazprom, known as a statement of objections. "It would be premature to anticipate when the next steps would be taken in this investigation, but we have now moved to the phase of preparing a statement of objections," he told an event organised by the Lithuanian Competition Authority.

He said the investigation covered Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary and Bulgaria. Asked when he would charge Gazprom, Almunia told reporters: "We never pre-commit to deadlines." A source familiar with the matter told Reuters the Commission planned to take action by the end of the year.

Gazprom said it would not comment on the antitrust case. The company, which generated 4.76 trillion roubles ($148 billion) in revenues last year, could stave off a potential fine by offering concessions to settle the case. Following previous EU investigations, the company agreed to scrap a clause preventing Austrian energy group OMV and Italy's ENI from re-selling gas bought from Gazprom in other markets.

Companies can be penalised up to 10 percent of their annual revenues for breaching EU antitrust rules. Lithuania, which has complained to the Commission about Gazprom, is claiming almost $2 billion compensation from the company at an international arbitration in Stockholm for allegedly "unfair" gas prices. It pays more for gas than any other EU state, according to the Commission.

Banking & Finance

NBP openes a branch at WAHGA border lahore to facilitates bilateral trade

Friday, 04 October 2013 17:35

Posted by Shoaib-ur-Rehman Siddiqui

ISLAMABAD: National Bank of Pakistan (NBP) has opened a branch at Wahga Border Lahore to facilitate bilateral trade.

The new branch is a reflection of the Bank's strong business growth and commitment to facilitate tax payers and business community to expedite the trading process to avoid any delay in transmitting funds, says a statement issued on Friday.

The branch was inaugurated by newly elected President LCCI Lahore Sohail Lashari and Junaid Akram Collector Customs (Preventive) Lahore along with Sohail Shaukat MNA and NBP's Senior Executive Vice President(SEVP), Muhammad Tariq Jamali, NBP Regional Head Central Lahore, Shahid Iqbal Dar and other Bank officials.

The President Lahore Chamber of Commerce & Industry thanked specially to the management of NBP to redress the long awaited demand of the businessmen through the platform of LCCI for establishment of full branch instead of collection booth here.

The collector custom said at the moment "It is a great pleasure to

open this branch as NBP is playing pivotal role to in Pakistan economy for its services to the nation.

Sohail Shaukat MNA said "We are proud of the achievements of NBP particularly impressed with this initiative to open this branch at the hub of this Pak-India Border which would facilitate the business community and trade related activities.

Speaking on the occasion, Junaid Akram said the branch opening is a major achievement and NBP would play a vital role in accelerating trade between the two countries.

Muhammad Tariq Jamali, Senior Executive Vice President and Group Chief, Commercial and Retail Banking said that NBP has widely penetrated branches across Pakistan and the branch at Wahga border will give services to its customer and general public and will help in boosting bilateral trade between Pakistan and India.

Also speaking at the opening ceremony the Regional Head NBP Central Region Lahore Shahid Iqbal Dar said, "This is an auspicious period to capitalize on the extraordinary growth dynamics in the country and by establishing of this new branch at Wahga Border Lahore We fully intend to consistently deliver on our services, promise of being the right partner to our customers by providing more facilities to access the world class services.

Markets

Slaughtering equipments sale on rise

Friday, 04 October 2013 12:40

Posted by Parvez Jabri

ISLAMABAD: The sale of slaughtering and cooking equipments is witnessing unprecedented surge in the twin cities of Islamabad and Rawalpindi in the wake of forthcoming Eid-ul-Azha.

The people started preparation for the Eid-ul-Azha, particularly people are buying crockery, knives and sharpening old knives in full swing.

Blacksmith workshops are overworked in various markets of the twin cities.

Hundreds of knives of all shapes and sizes lie next to them on the floor.

Every Blacksmith expects to sharpen between 2,000 to 4,000 different knives in the last week before the event.

The street vendors are witnessed to sell the variety of slaughter tools and also offering their services to sharpen the rusted slaughter equipment.

Some of the vendors are visiting various streets with knives sharpening equipments.

Suhail Ahmed, a mobile Blacksmith said that this is the time of year when "we make good money", adding that "I worked on 200 knives daily and this number may increase to about 800 later on".

Meanwhile, the sale of slaughtering and cooking instruments are witnessing unprecedented surge in the twin cities.

A number of stalls are being established in different markets and localities for sale of knives and steel bars.

A shopper said that street vendors and stallholders charging double price of butchery equipments, adding to hold the services of butchers was another difficult task.

Another 100,000 heads expected at Super Highway Cattle Market's second phase

Friday, 04 October 2013 12:22

Posted by Parvez Jabri

KARACHI: Phase two of the world's largest makeshift cattle market has been opened at the Super Highway, Karachi, with 6000 sacrificial animals already brought in and another 100,000 expected to arrive prior to Eid ul Azha.

Shahab Ali, the administrator of the makeshift cattle market arranged at Super Highway each year, prior to Eid e Qurban, sharing with media, on Friday, details of the arrangements made for the market said more than 74,000 cattle heads have already arrived for the sale purpose at the phase one of the market.

In view of the demand as well as availability of these heads the phase two had to be opened so as to facilitate people capable to realize their religious obligation, he said in reply to a question.

"We expect that around 175,000 cattle mainly cow and buffaloes will be brought from different parts of the country to the market this year," he said.

Of these heads, he said no less than 6000 goats are already available for sale. at the market spread over an area of 700 acres.

"The arrangements made for the current year are much better than the previous years with all relevant facilities being provided to the purchasers and the sellers," he said.

Shahab Ali said veterinary doctors are on a round the clock duty providing free of charges services to the cattle on sale at the market.

There is close coordination for the purpose between city administration, commissioner office and the governor house, he said.

Shahab Ali said a complaint center, help desk, fire brigade, free toilets, uninterrupted power supply, regular water supply are some of the essential facilities provided at the market.

In reply to a question, he said a price control committee has also been constituted so as to ensure quality and fair price of the items on sale in the shops functional at the cattle market.

Responding to the queries raised by media, administrator of the cattle market said the road side cattle markets that have erupted at different sites in the city hold no legal status.

These unauthorized markets, he said could be counter productive as no mechanism exist there to ascertain health status of the animals being sold for sacrificial purpose.

About security arrangements made at Super Highway Cattle Market, he said a comprehensive mechanism exists for the purpose with active involvement of city administration as well as concerned cantonment board.

"Meanwhile, CCTV cameras have also been installed that are functional round the clock so as to avert any criminal attempt," said the administrator cattle market.

Eighty seven retailers fined for violating official price list

Friday, 04 October 2013 12:18

Posted by Parvez Jabri

KARACHI: Karachi administration at the directives of Commissioner, Shoaib Ahmad Siddiqui continued with their campaign against profiteers on Friday.

Teams led by sub-divisional magistrates and assistant commissioner challaned 87 retailers for over-charging consumers and imposed a fine to a tune of Rs.115,000 on them.

Those fined included 21 milk sellers, 10 fruit sellers, nine green grocers, 18 grocers, eight chicken sellers, 20 flour millers and one meat seller.

Miscellaneous News

Cutting corners: Industrialists and retailers win major tax concessions

By Shahbaz Rana / Creative: Talha Ahmed Khan

Published: October 5, 2013

ISLAMABAD:

Pakistan has backtracked on its commitment to the International Monetary Fund (IMF) that it will not issue any new statutory regulatory order (SRO) for tax exemption and instead issued four SROs to give benefits to industrialists and exempt retailers from registration.

The Federal Board of Revenue (FBR) on Friday issued the SROs, an instrument used to make changes to the Acts of Parliament, following Finance Minister Ishaq Dar's decision to offer tax breaks to the affluent who had threatened to stage a countrywide strike.

The major concession came after a sharp reduction in sales tax on purchases from unregistered persons from 17% to 1%. The decision of slashing sales tax from 5% to 3% on imports and supplies of fabrics also took effect while tax on value addition was further cut to 2%.

According to the Memorandum of Economic and Financial Policies (MEFP) that the PML-N government has submitted to the IMF for winning a $6.7 billion loan programme, "the government has already stopped issuing any new tax concessions or exemptions (including customs tariffs) through SROs except for an Act of Parliament."

The MEFP stated that the government would approve laws by the end of December 2015 to permanently stop issuing SROs. Even the government's three-year tax base expansion plan hinges on eliminating exemptions and concessions embedded in SROs and in the law, as well as on eliminating powers of the executive to grant preferential tax treatment through SROs.

Analysts describe the new SROs as a major blow to the drive aimed at broadening the tax base, which also put a question mark over the ability of the government to sustain pressure.

Last year, only 711,000 people filed income tax returns while the number of active registered sales tax payers stood below 100,000, showing the extremely narrow tax base in the country.

Like its predecessors, the PML-N government too increased the burden on existing taxpayers in the new budget and the only measures that it took to encourage people to come into the tax net were eventually withdrawn.

The preferential tax treatment is expected to cause a revenue loss of at least Rs10 billion against government's claim of less than Rs5 billion. This loss may make it more difficult to meet the annual tax target of Rs2.475 trillion. The revenue board has already missed its first quarter target by a wide margin.

According to an SRO, the government also withdrew a condition that had required retailers to submit their address, computerised national identity card number and national tax number with their withholding statement. This will keep the retailers out of the tax net, leaving a significant sector out of the formal economy.

The same SRO reduced the amount required to be withheld by wholesalers, dealers and distributors from 20% of total sales tax to 10% of tax.

Through SROs 895 and 896, the government removed dozens of items from the Third Schedule of Sales Tax Act 1990. Before the omission, the manufacturers were bound to print price and sales tax amount on their products and withhold the sales tax.

These items had been added in the Third Schedule at the time of announcement of budget with estimates that Rs8 billion would be collected on this account.

The items removed from the Third Schedule include household electrical goods such as air conditioners, refrigerators, deep freezers, television sets, recorders, electric bulbs, tube-lights, fans, irons, washing machines as well as telephone sets and household gas appliances. Other items deleted from the schedule were ovens, mattresses, auto parts, lubricant oils, tyres and tubes, storage batteries, arms and ammunition, paints, distempers, enamels, pigments, varnishes, gums, resins, dyes, glaze, tiles, biscuits and chocolates.

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Rs300m dues: Dispute between Railways, Business Express drags on

By Shahram Haq

Published: October 5, 2013

LAHORE:

A dispute between Pakistan Railways and the management of Pak Business Express, run by a private investor, over unpaid dues of Rs300 million is the main stumbling block to smooth operations of the business train.

The outstanding amount rose to this level following alleged favours won by the management of Pak Business Express from the previous government when it failed to pay Rs3.1 million a day to Pakistan Railways calculated at 88% seat occupancy.

At that time, Pak Business Express was paying around half of the agreed amount or even less, insisting the government should reduce the seat occupancy rate to somewhere around 60% as it was quite difficult to meet the expenses.

This led to many ups and downs in the joint venture between Pak Business Express and Pakistan Railways. On the one hand, the former was not depositing the money and on the other hand the latter was targeting train services.

> ” (We) are disappointed at the revision in seat occupancy, but will not give any concession in unpaid bills
> Railways spokesperson

Delay in departure until the deposit of required amount and the halt to Business Express services for 16 days were the major incidents.

In the meantime, Pak Business Express, a luxury service from Lahore to Karachi run by Four Brothers Group, succeeded in getting the occupancy rate reduced to 65% which also brought down the daily payment to Rs2.2 million. The matter was brought to the Economic Coordination Committee (ECC) of the cabinet in April 2012, which resulted in acceptance of the demand on March 7, 2013.

However, the matter of dues, which rose to Rs300 million by the time the ECC made the decision, is something that Pakistan Railways is not willing to give up as the committee did not clearly say from when the revision in seat occupancy rate would come into force.

“In our organisation, people are disappointed at the revision in seat occupancy, but we accept the decision but will not give any concession in unpaid bills,” said a railways spokesman while talking to *The Express Tribune.*

On the other side, Pak Business Express Director Operations Mian Shafqat claimed “we have to recover Rs110 million from Pakistan Railways, which we gave them for repairing coaches and for fuel purchase during the last fuel crisis.”

Apart from this, “we made initial investment of Rs220.5 million for infrastructure and locomotive repairs.”

These days no serious efforts are being made by both sides to put an end to the dispute, causing frequent delays in the train, which was once famous for timely departure and arrival.

The venture is profitable for both and they are willing to continue the service but on its own terms, it seems. Pakistan Railways is getting a handsome Rs2.2 million every day and Pak Business Express is earning profits, though it does not accept that passenger occupancy crosses 60% even in peak months.

The contract between them is another reason why they are willing to continue to run the venture. According to the agreement, Pak Business Express will lose its investment of Rs220.5 million if it fails to continue the service and in case Pakistan Railways fails to execute the contract it will be required to return the investment to the Business Express.

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Plan9: Turning small dreams into big realities

By Zahra Peer Mohammed

Published: October 5, 2013

KARACHI:

"Plan9 was one of the best things to have happened to our company."

These are the words of Ali Rehan, CEO of Eyedeus Labs, a company that released an app called 'Groopic' into the market in July. This is an app that allows every member to be part of a picture, even the photographer, without the use of a tripod. Rave reviews have followed this app in the global market and Eyedeus lab has established a place for itself in the tech world. According to Ali, Plan9 turned Groopic in to a reality. So how did it all start?

It was at the launch pad of Plan9 where Ali and his team presented an idea to a panel that found the concept to be strong. Plan9 then incubated Ali and his team; they provided him, amongst other things, mentorship, an office space, laptops, a stipend of Rs20,000 per team member and feedback on their product.

Plan9 provides mentorship, an office space, laptops, a stipend of Rs20,000 per team member and feedback on their product

After an incubation period of six months, Ali and his teammates were on their own, but what they took with them was a business model, motivation and even more determination than ever before.

This, in effect, is the aim of Plan9: to nurture talent to create a culture of tech entrepreneurship and endless energy. It all started in 2012 when Dr Umair Saif came up with the idea of a Tech Incubator and made the Punjab Government believe in this idea. Thus, Plan9 is an initiative taken by the Punjab Information Technology Board that aims to facilitate technological entrepreneurship in Pakistan.

Having successful startups such as Hometown Shoes to their name, Plan9 is now in its second incubation cycle and is overseeing many new exciting projects.

Nabeel A Qadeer, the Programme Manager for Plan9, states that although the engineers in Pakistan are good, they lack business sense.

"They have little idea of what to do after a product is created, how to market it, who to sell it to and what to price it at, are questions they do not know how to address even if they are graduates from Lahore University of Management Sciences," he states. "That's where Plan9 comes in."

Aside from providing mentorship, the project aims at introducing young innovators to investment channels. Danish Lakhani of Nosh Genie, from the first incubation cycle, expressed his gratitude to Plan9 by praising Plan9's Angel Investors' Club.

"Babar Ali and Hussain Dawood visited us and they even gave one team $5,000,"he stated excitedly.

Although Danish's startup did not succeed because his team disintegrated, the youngster vehemently emphasised the need of programs such as Plan9 to continue for at least 50 years.

"Silicon Valley wasn't built in a day," he put it succinctly.

Qadeer calmed these fears by stating that the Punjab Government has approved the plan till 2015, and with the success the company is showing, he doesn't see any difficulty in guaranteeing further approval.

For the current incubation cycle, some exciting projects are underway. I-Track, for example is a startup that is working toward generating a solution for disabled people to use computers. The team is trying to design a lens that can work as a mouse for those who cannot use a mouse due to disabilities.

Technolsys is another interesting new startup from the current cycle that is aiming towards developing anti-theft apps for phones and tablets − a real need in Pakistan in times of today.

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Corporate results: Nishat Chunian earns Rs2.27b in fiscal 2013

By Our Correspondent

Published: October 5, 2013

KARACHI:

Nishat Chunian (NCL) reported a strong year on Friday, posting a profit of Rs2.27 billion in the fiscal year 2012-13, compared to Rs699 million on a standalone-basis, reflecting exponential growth of 225%, according to a notice sent by the company to the Karachi Stock Exchange.

The tripe-digit growth was attributable to margin expansion caused by the procurement of cotton at favourable rates.

The earnings announcement was in-line with street estimates of Rs2.25 billion projected for the year.

According to a review of the results by AKD Securities, the brokerage house says that Nishat Chunian disappointed its shareholders by announcing a cash payout of Rs2 per share in addition to a bonus share issue of 10%, which was below market talk.

SHAREHOLDERS

Rs2

per share was the dividend announced by Nishat Chunian for fiscal year 2013, apart from a 10% bonus share issue

For the fourth quarter of fiscal year 2013, NCL's earned Rs553 million, which was also in-line with estimates of Rs536 million.

Sales of the textile giant witnessed a growth of 11% to Rs5.93 billion, while gross margins expanded as the company managed to get hold of cotton at favourable prices and rupee depreciation – NCL's revenues are dollar-denominated as it exports most of its production, hence weakening of rupee against the greenback helps to boost earnings.

Falling finance costs also helped NCL in propelling its bottom-line as cost on borrowings fell 21% in the fiscal year 2012-13 owing to the State Bank of Pakistan's policy of continuously slashing interest rates. Average three-month Karachi interbank offer rates in fiscal 2013 fell to 9.73%, compared to 12.21% in fiscal 2012.

In fiscal 2014, NCL's earnings are expected to touch Rs2.96b led by capacity expansion of 69,000 spindles in the spinning division

Going forward, AKD Securities predicts NCL's earnings will touch Rs2.96 billion, a growth of 30%, led by capacity expansion of 69,000 spindles in the spinning division. The spindles are expected to become operational by the end of the first half of fiscal year 2013-14. Moreover, the sliding rupee will also continue to propel earnings.

On the cost side, Global Securities expects NCL's interest cost to dip further in the next quarter as the company received Rs6.86 billion on account of the Rs503 billion circular debt transaction paid by the government.

The Global Securities report went on to say that the payment will substantially decrease the company's payables and short-term borrowings.

The brokerage house estimates that NCL's short-term borrowings of Rs6.1 billion as at March 31, 2013, will be fully retired post-circular debt transaction.

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Due share: Business tycoon extols private sector's role

By Our Correspondent

Published: October 5, 2013

LAHORE:

The present government has formulated effective policies to lift the economy of the country, but they should be implemented without any delay to be effective. Pakistan has great resources which, if exploited properly, can help the nation stand on its own feet, said Chairman MCB Bank, Mian Muhammad Mansha.

Addressing a seminar, Mansha said that the economic policies being framed by the present government deserve appreciation and it shows that they have realised the importance of the private sector.

Mansha's business empire benefited greatly from the privatisation push by the Pakistan Muslim League-Nawaz government in the early nineties, acquiring many companies at what are considered to be favourable rates.

The private sector, he said, had been marginalised in the past but it is high time that we understand it is the lifeblood of the economy of any country. The services of this sector have never been acknowledged, he said, and added that it is the responsibility of the media to highlight their achievements.

The media can mould mindsets and it should educate the masses regarding trends in the economy, he continued, and said that it is the media through which an environment of competition can develop, he added.

Though our country is faced with the menace of terrorism, we can still create avenues for foreign investment by creating special economic zones for the investors, he said.

Mansha said that accountability and transparency at the micro and macro levels is imperative to create a competitive atmosphere for business. China made progress because they did not tolerate corruption and dishonesty, we will have to follow their example and bring every culprit to book, said Mansha.

The energy crisis can be resolved by deregulating this sector on the lines of United Kingdom, he said. The United States made rapid progress because they produced committed entrepreneurs like Steve Jobs and Bill Gates, and Pakistan will have to encourage the private sector to move forward on the road of progress, said Mansha.

Doctor Salman Shah, adviser to former prime minister Shaukat Aziz, was also present and said that change cannot be brought without having the clarity of thoughts. First, we will have to set clear aims and then we will have to pursue them, he added.

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Aman Foundation increases IBA grant by 20%

By Our Correspondent

Published: October 5, 2013

KARACHI:

Aman Foundation will increase its grant to the Institute of Business Administration (IBA), Karachi, by 20% to Rs1.2 billion for the development of Aman Tower at IBA's city campus.

Aman Foundation CEO Ahsan Jamil and IBA Dean and Director Dr Ishrat Husain signed an agreement to this effect on Friday at the main campus of the country's premier business school.

Earlier, Aman Foundation had committed to providing Rs1 billion for the construction of the 14-storey, state-of-the-art Aman Tower, which is going to house residential and educational facilities for IBA's Centre for Executive Education, along with 18 classrooms, two seminar halls, faculty offices, a library, meeting and breakout rooms, cafeteria and other facilities.

Speaking on the occasion, IBA Director Finance Moeid Sultan thanked Aman Foundation for supporting IBA's educational endeavours and the construction of Aman Tower, which is now visible from MA Jinnah Road, one of the city's major arteries. "Once complete, it will be an icon in Karachi," he said.

Citing the Aman Centre of Entrepreneurial Development (CED) building, which was recently constructed with the support of Aman Foundation on IBA's main campus, Jamil said he was glad to be supporting IBA Karachi in providing an innovative blend of theory and practice for the business leaders of tomorrow.

Aman Foundation-sponsored Aman Centre on the main campus houses an IT infrastructure project and the CED, an institution dedicated to the promotion and development of entrepreneurial studies in Pakistan.

Dr Husain praised Aman Foundation for its continuing philanthropic support for IBA, which has provided both students and faculty with remarkable infrastructure facilities. "The infrastructural development of the multi-storey Aman Tower is just one aspect of my vision for the future of IBA Karachi, and there is still a long way to go," he said.

"The immense support from Aman Foundation will be crucial for the growth of the institute, which is committed to providing excellence in education. Together we can produce the kind of leaders that the country needs," he observed.

Aman Foundation was established in 2008 by Arif Naqvi, a private equity investor who set up the Abraaj group in the United Arab Emirates in 2002. Aman Foundation was set up with $100 million seed money to undertake innovative programmes in health and education sectors.

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Growing operations: Demand for data analysis expands in Pakistan

By Our Correspondent

Published: October 5, 2013

KARACHI:

A leading expert in data warehousing and Global Chief Technology Officer Teradata Corporation, Stephen Brobst, has said that the demand for analytic solutions has expanded this year in many parts of Asia in addition to Europe and the Middle East.

Teradata, a leading firm in analytic data platforms, applications and services, brought Brobst to Pakistan for a road show with the theme 'Driving Customer Excellence through Customer Experience'.

Prior to this event in Karachi the company has conducted similar events in Islamabad and Lahore on September 27 and October 3, 2013, respectively.

Brobst talked about the latest technology and business trends in data warehousing and business intelligence during the annual Road show, and held interactive sessions for both business and technical audiences.

” These gatherings underscore the company's commitment to create value for customers
Teradata Pakistan Managing Director **Khuram Rahat**

Brobst is known for his expertise in the identification and development of opportunities for the strategic use of technology in competitive business environments, and has over 20 years of experience in business strategy and high-end parallel systems to develop frameworks for data warehousing and data mining to leverage information for strategic advantage.

Managing Director Teradata Pakistan, Khuram Rahat, said that these gatherings underscore the company's commitment to create value for customers and to create awareness around latest trends and technologies among local professionals. We are pleased to foster this exchange of ideas on innovative business growth strategies.

According to the company, the road show is an opportunity for data warehousing experts to learn more about topics that can be of decisive importance from a business perspective.

In addition to Pakistan, the road show has toured Egypt, Belgium, China, Germany, Indonesia, United Kingdom, Russia, Finland, France, Czech Republic, Italy, Singapore, Sweden, Taiwan, Japan and Poland.

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IMF's condition: Govt backs selloff plan, 31 public entities cited

By Shahbaz Rana

Published: October 4, 2013

ISLAMABAD:

The government on Thursday approved to sell 26% or more shares of 31 state-owned entities including Pakistan International Airlines (PIA) and Pakistan Steel Mills (PSM)

– to fulfill a key condition of the International Monetary Fund's (IMF) $6.7 billion bailout programme.

The list was approved by Cabinet Committee on Privatisation (CCOP), three days after expiry of September 30 deadline set by the IMF for giving a detailed plan for these entities aimed at turning around the loss making firms and reducing the government's footprints.

Privatisation Commission had tabled a list of 30 items but the CCOP – headed by Finance Minister Ishaq Dar – added Lakhra Power Plant at the eleventh hour. Lakhra's privatisation would be subject to approval by the Council of Common Interest (CCI), as the plant was not among the 65 entities that the CCI had earlier approved for privatisation and restructuring.

GOING PRIVATE

26%

or more shares will be offered for sale

Last month, the Supreme Court of Pakistan had struck down the Lakhra Power Plant's 20 years' lease to M/s Associated Group after finding faults in the lease agreement. The apex court had declared the lease as illegal and void and directed the federal government to conduct an inquiry to fix civil and criminal liabilities on beneficiaries in accordance with law.

Among the approved 31 entities are the PIA, the PSM, Pakistan State Oil, Islamabad Electricity Supply Company and Gujrawanala Electricity Supply Company. The government has already announced to sell 26% stakes of the PIA to a strategic partner but the inclusion of the PSM was a surprising one.

Earlier, the government had announced to restructure the loss making entity instead of privatising it after the main opposition party in the National Assembly threatened to launch a country wide strike.

According to a Finance Ministry official, it was not necessary that the government will privatise all the 31 enterprises. He said the approval was given in bundle and after Eid the Privatisation Commission will bring a list of half a dozen among 31 entities that could be privatised on fast track basis. However, the PIA will be among half a dozen entities that have to be privatised by December 2014 as part of the IMF condition.

"The future of the employees and political backlash against the privatisation will be key determinants for reaching a decision of full or partial privatisation," the official said.

The CCOP directed the Privatisation Commission to ensure that the interests of employees were to be protected at all cost, according to a handout of the Ministry of Finance.

He said it was also not necessary that the government would sell only 26% shares. There was possibility that on case to case basis the government might sell majority shares to the private parties if the strategic partners refused to take management with minority shares.

A federal minister, who attended the meeting, also showed apprehension that the strategic partners might not like to take management control with minority shares.

"However, in case the bidder seeks majority shares, the entity will again be brought in front of the CCOP for fresh approval," he added. The CCOP approved four-pronged plan for these entities that revolved around off loading shares in the stock market, handing over management control to the private sector, divestment and selling assets where necessary.

The government will offload shares of Oil and Gas Development Company Limited, Pakistan Petroleum Limited, Pakistan State Oil, Habib Bank Limited and Untied Bank Limited, as these entities were already registered in the stock markets.

The CCOP may decide either to handover management control of National Insurance Company Limited or issue Initial Public Offering (IPO) at stock market. Islamabad Electricity Supply Company and Gujrawanala Electricity Supply Company would be offered for strategic partnerships.

"Despite approval for privatisation, there is a possibility that the PSM will be restructured given the opposition to its privatisation," the officials said.

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3G, 4G, LTE up for grabs: Committee decides to offer neutral bands

By Shahbaz Rana

Published: October 3, 2013

ISLAMABAD:

The government has finalised the policy guidelines for auction of the "next generation technology spectrum", signifying its departure from 3G range while offering a technology neutral band to investors.

Headed by Finance Minister Ishaq Dar, an Advisory Committee on Auction of telecom spectrum discussed at length the recommendations submitted by the Ministry of Information Technology regarding policy directives to introduce next generation mobile services in Pakistan.

> PML-N govt had included Rs120 billion as non-tax revenue income on account of auction of 3G licences in budget 2014

After due consideration, the committee finalised the ecommendations for approval of the Prime Minister Nawaz Sharif, said Minister of State for Information Technology Anusha Rahman Ahmad, after the advisory committee meeting.

It was the first meeting of the advisory committee for the auction of next generation telecom spectrums, marking the beginning of a process that had remained controversial in the past. The previous Pakistan Peoples Party (PPP) government too had approved a policy directive, and even issued an information memorandum and auction calendar, but the process became controversial.

The Pakistan Muslim League – Nawaz (PML-N) government had included Rs120 billion as non-tax revenue income on the account of auction of 3G licences in the Federal Budget 2013-14 and wants to complete the process before the close of the current financial year on June 30, 2014.

In a significant policy shift, the new government decided to keep the spectrum technology neutral and has named it "next generation technology spectrum", which offers a range of opportunities to the investors who could provide 3G, 4G or Linear Technology.

> PTA is expected to lead the auction process. The govt has recently appointed Ismail Shah as the chairman of the regulator

The telecom companies had complained about auctioning only 3G spectrum in the past, while arguing that the world has now moved to 4G. However, the counter argument was that the country could fetch more revenues by gradually moving from 3G to 4G spectrum. This was also one of the reasons that made the previous auction bid unsuccessful.

The policy guidelines encourage infrastructure sharing among the players. It was not immediately clear how many licences will be offered for auction. The previous government had offered three licences, where a single player was allowed to buy a maximum of two licences.

The Pakistan Telecommunication Authority (PTA) is expected to lead the auction process. The government has recently appointed Ismail Shah as the chairman of PTA.

Minister of State for Information Technology Rahman said that the government had made efforts to open the (spectrum) auction for both the existing companies and new entrants in the telecom industry. Out of five, four telecom operators were interested in the auction.

In 2007, the Musharraf government had added a clause in the sale agreement of Pakistan Telecommunication Company (PTCL) that barred the country from issuing any spectrum for the next six years. The embargo had expired in March this year.

Rahman said that the issue of determining the base price, preparing the auction plan and the information memorandum were left to international consultants who will be hired to keep the process transparent.

She said the consultants will have the liberty to review the advisory committee-approved policy directives.

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OPEN MARKET FOREX RATES

Updated at: 5/10/2013 7:58 AM (PST)

Currency	Buying	Selling
Australian Dollar	100	100.25
Bahrain Dinar	281	281.25
Canadian Dollar	102	102.7
China Yuan	17.2	17.35
Danish Krone	19.25	19.4
Euro	144.25	144.5
Hong Kong Dollar	13.55	13.75
Indian Rupee	1.7	1.8
Japanese Yen	1.0861	1.0964
Kuwaiti Dinar	374.25	374.5
Malaysian Ringgit	33.15	33.4
NewZealand $	87	87.25
Norwegians Krone	17.65	17.8
Omani Riyal	275.6	275.85
Qatari Riyal	29.15	29.3
Saudi Riyal	28.2	28.45
Singapore Dollar	84.6	84.85
Swedish Korona	16.6	16.75
Swiss Franc	117	117.25
Thai Bhat	3.3	3.45
U.A.E Dirham	28.85	29
UK Pound Sterling	172	172.25
US Dollar	106.85	107.10

INTER BANK RATES

Updated at: 5/10/2013 7:58 AM (PST)

Currency	**Bank Buying TT Clean**	**Bank Selling TT & OD**
Australian Dollar	99.54	99.73
Canadian Dollar	102.15	102.34
Danish Krone	19.27	19.3
Euro	143.72	144
Hong Kong Dollar	13.61	13.63
Japanese Yen	1.0849	1.0870
Saudi Riyal	28.13	28.19
Singapore Dollar	84.56	84.72
Swedish Korona	16.63	16.66
Swiss Franc	117.41	117.63
U.A.E Dirham	28.72	28.78
UK Pound Sterling	170.6	170.93
US Dollar	105.5	105.7

Bullion Rates (Gold Prices) in Pakistan Rupee (PKR)

As on Sat, Oct 05 2013, 04:00 GMT

Metal	Symbol	PKR for 10 Gm	PKR for 1 Tola	PKR for 1 Ounce	
Gold 24K	XAU	44,702	52,085	139,041	
Palladium	XPD	23,855	27,795	74,198	
Platinum	XPT	47,358	55,180	147,303	
Silver	XAG	741	863	2,305	

Gold Rates in other Major Currencies

Currency	Symbol	10 Gm	1 Tola	1 Ounce	
Australian Dollar	AUD	447	521	1,390	
Canadian Dollar	CAD	434	506	1,350	
Euro	EUR	311	362	967	
Japanese Yen	JPY	41,087	47,874	127,799	
U.A.E Dirham	AED	1,548	1,804	4,816	
UK Pound Sterling	GBP	263	307	819	
US Dollar	USD	422	491	1,311	

Gold Rates & Silver Rate from major cities of Pakistan

A year by year reference of the daily Silver Price in Pakistan and history of Gold Rates in Pakistan

Oct 04, 2013

Following table shows gold rates per Tola in Pakistan in Pakistani Rupess (PKR) in 24 carat per 10 Grams, 22 carat per 10 grams and sliver rates per 10 grams in pakistan.

City	24k per 10 Grams	24 carat per Tola	22k Per 10 Grams	Silver 10 Grams
Karachi	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Lahore	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Multan	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Faisalabad	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Rawalpindi	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Hyderabad	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Gujranwala	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Peshawar	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Quetta	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Islamabad	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57
Sargodha	Rs. 45942	Rs. 53600	Rs. 42114	Rs. 728.57

Source: Karachi Saraf.