

FBR faces PKR 425Bn shortfall in 11 months

FBR faces a mammoth revenue shortfall in 11MFY19 that now stands at PKR 425Bn. The board has so far collected PKR 3,333Bn against the target of PKR 3,758Bn. The overall shortfall might exceed PKR 500Bn due to which overall budget deficit might cross 7.5% of GDP or PKR 2.8Tn till end Jun'19. FBR is not taking any advances so it is year of making correction in tax collection system. Even for achieving downward revised tax collection target from PKR 4,398Bn to PKR 4,150Bn, the FBR will have to collect PKR 817Bn in Jun'19 in order to display the revised figure of PKR 4150Bn on its board. The FBR officials argued that collection nosedived because of different policy actions including incentives provided to salaries class, suspension of withholding tax on mobile cards which has now restored by Supreme Court, slowdown of economy, and many other factors. *The News.*

Conflict over removal of zero-rated facility persists

The deadlock between the govt. and business chambers persists on the key budget proposal of abolishing the sales tax exemption for 5 export-oriented sectors and prospects of a further increase in the GST rate to 18%. A meeting between the Adviser to PM on Finance, Dr. Abdul Hafeez Shaikh, and representatives of various chambers of commerce ended inconclusively. The business community aggressively defended their position, leaving little room for any dialogue. Adviser to PM on Commerce, Abdul Razak Dawood, once again supported the stance of the business community of maintaining the status quo. It was also said that the PKR 86Bn estimate is highly understated as the actual tax benefit from the withdrawal of zero-rating facility may go as high as PKR 150Bn. *Tribune.*

Petrol price further jacked up by PKR 4/litre

The govt. has increased the price of petrol by PKR 4.26/litre for the month of Jun'19, following a hike in global oil prices and depreciation of the PKR against USD. Petrol will now be available at PKR 112.68/litre, the highest-ever mark in the country's history. Price of High Speed Diesel (HSD) by PKR 4.50/litre to PKR 126.82/litre. At present, the GST stands at 13% on petrol, 13% on HSD, 17% on kerosene oil and 17% on LDO. *Tribune.*

600 applications filed for sales tax refund bonds on first day

The govt. has received 600 requests, totaling an amount of PKR 45Bn for which PKR 7Bn sales tax refund bonds have been issued immediately. The govt. plans to keep issuing more as applications are verified and processed. FBR is planning another issuance in Jun'19 and it has advised the claimants to exercise their bond option and provide their CDC accounts to the tax body so that they can be accommodated in the next issuance. Exporters are claiming pending refunds of over PKR 200Bn, but the figure hasn't been officially acknowledged by the FBR. The bonds carry a simple profit of 10% per annum and will mature in 3 years. *Dawn.*

FBR chief informs PM about flaws in taxation system

FBR Chairman, Shabbar Zaidi, has informed PM Imran Khan that serious flaws in the taxation policy have resulted in substantial accumulation of untaxed wealth. FBR has communicated points following points to the PM including: Pakistan's tax collection system generates less than 10% of GDP, current system is not workable and is a serious threat to the economy, industrial electricity connection are 341,000 whereas only 40,000 are sales tax registrants, there are more than 3.1Mn commercial connections whereas 90% fall outside the tax system and over 75% of tax is collected from manufacturing sector that seriously affects the manufacturing and industrial sector. *BR.*

Sindh asks Centre to increase FED on gas to PKR 18 per mmbtu

CM Sindh Murad Ali has asked Centre to increase the rate of Federal Excise Duty (FED) on natural gas from existing rate of PKR 10 per mmbtu to at least PKR 18 per mmbtu. The demand to levy FED on crude oil has also been made which is at rate of 5% ad valorem as it has been done in the past and receipts which are collected be transferred to provinces concerned as straight transfer. The Sindh govt. wants federal govt. to make its demands part of Finance Act of forthcoming budget FY20. *The News.*

Amnesty scheme: PKR 936Mn to be recovered from 1,272 declarations so far

The tax amnesty scheme has so far received a cold response as FBR received 1,272 declarations with paid up tax amount of PKR 936Mn in the pipeline. 66% availed amnesty on domestic assets/income, while one-third availed amnesty for owning assets/income abroad. *The News.*

SBP amends amnesty procedure

SBP has amended procedure for deposit of tax against foreign assets under Assets Declaration Ordinance 2019. On the suggestion of stakeholders, correspondent bank in United Arab Emirates (UAE) has been changed United Bank Limited, Dubai. *The News.*

Govt moves to set up CPEC Secretariat

In a major development, the govt. has taken the first step towards establishing the CPEC Authority and has approved the merger of existing support infrastructure into a new secretariat. Project director of the new CPEC Secretariat is likely to be somebody with military background. Headed by Minister for Planning, Khushroo Bakhtiar, the Central Development Working Party (CDWP) has approved the merger of two ongoing projects to set up the CPEC Secretariat and an authority. Now the minister for planning will head the CPEC Secretariat. *Tribune.*

SBP updates guidelines to comply with UNSC resolutions

SBP has issued updated guidelines to comply with rules issued by Ministry of Foreign Affairs under United Nations Security Council (UNSC) resolutions and sanctions against individuals and entities subject to assets freeze, travel ban and arms embargo. The UNSC's successor resolutions oversee sanction measures to counter proliferation financing. Banks are required to issue a notice of freezing or seizure of property to the concerned designated entity/individual and any other person affected by freezing or seizure of property. *The News.*

Lucky Motors to assemble Peugeot cars

Pakistan is set to get its first European car following the signing of an expression of interest and a MoU between Lucky Motors Ltd (LML) and Groupe PSA of France. Under the MoU, LML will assemble, manufacture, market, distribute and sell PSA passenger cars and light commercial vehicles in Pakistan. The group has planned to assemble PSA vehicles at Lucky Motors automobile manufacturing facility at Bin Qasim Industrial Park. Groupe PSA is a French multinational manufacturer of automobiles and motorcycles sold under the Peugeot, Citroën, DS, Opel and Vauxhall brands. *Dawn.*

China to create company blacklist as US trade war escalates

China has said that it will release a blacklist of unreliable foreign companies and individuals, that do not comply with market rules or stop supplies to Chinese enterprises, hitting back after the US targeted telecom giant Huawei in their escalating trade war. The announcement was made a day before Beijing is due to increase tariffs on \$ 60Bn in US goods, capping a week marked by rising Chinese threats of retaliation after President Donald Trump blacklisted Huawei. *Tribune.*

US to suspend India's GSP status

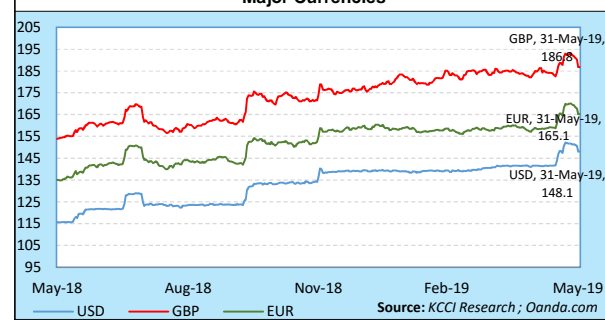
US state Department has said that the suspension of a US trade preference program with India is a done deal. President Donald Trump announced in Mar'19 he would end India's access to the decades-old GSP trade program over what the US said was lack of access to India's market. The benefits however could be restored if India gave US companies' fair and equitable access to its markets. *Dawn.*

Economic Indicators

| List of Indicators | Date / Period | Unit | Value | Change Daily |
|---------------------|---------------|--------|---------|--------------|
| USD-Interbank | 30-May | PKR | 148.21 | -0.95% |
| USD-Open MKT | 31-May | PKR | 148.50 | -0.37% |
| KSE-100 index | 30-May | Pts. | 35,975 | 0.04% |
| FIPI | 30-May | \$ Mn | 1.27 | NM** |
| Crude (AP'19) | 30-May | \$/bbl | 56.52 | -4.37% |
| Gold (MA'19) | 30-May | \$/oz | 1,290.5 | 0.23% |
| Gold (10g) Local | 31-May | PKR | 59,842 | 0.00% |
| Silver (MA'19) | 30-May | \$/oz | 14.50 | 0.66% |
| Cotton(KHI)-40 kg | 31-May | PKR | 9,431 | 0.58% |
| Kibor-6M | 30-May | % | 12.99 | 0.00% |
| Forex Reserves | 24-May | \$ Bn | 15.09 | -0.24% |
| | FY19 | | | YoY |
| Remittances | Jul-Apr 19 | \$ Bn | 17.88 | 8.46% |
| Exports* | Jul-Apr 19 | \$ Bn | 19.17 | -0.11% |
| Imports* | Jul-Apr 19 | \$ Bn | 45.47 | -7.88% |
| Trade Balance* | Jul-Apr 19 | \$ Bn | -26.30 | 12.82% |
| Current Account | Jul-Apr 19 | \$ Bn | -11.59 | 26.97% |
| Foreign Direct Inv. | Jul-Apr 19 | \$ Bn | 1.38 | -51.70% |
| LSM Growth* | Jul-Feb 19 | % | -1.72 | |
| Avg. CPI | Jul-Apr 19 | % | 7.00 | |
| Discount Rate | May-19 | % | 12.25 | |

Sources: KCCI Research, PMEX, NCCPL, KSE, SBP, PBS*
** Not Meaningful on week;

Major Currencies

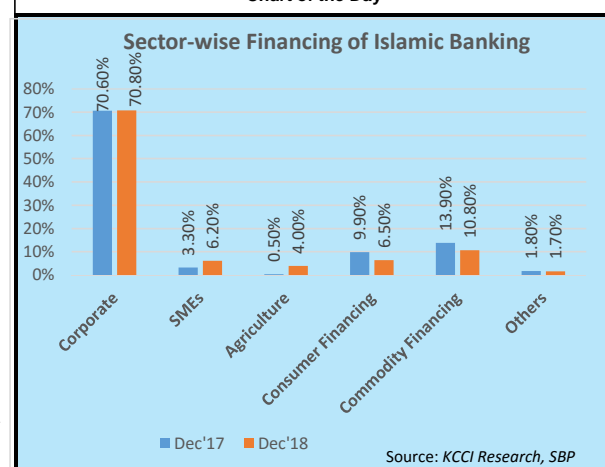


Quote of the Day

"The most foolish of men are those who believe most strongly in their own intelligence."

Imam Al- Ghazali

Chart of the Day



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