

Finance Bill 2019-20: KCCI urges FBR to withdraw section 108AB

President KCCI Junaid Esmail Makda has urged FBR to withdraw the provisions under 108AB of the Finance Bill FY20 that has triggered severe anxiety amongst the business community. He pointed out that under section 108AB, a person supplying products listed in the 3rd Schedule to the Sales Tax Act 1990 or any other products as prescribed by the board, under a dealership arrangement with the dealers who are not registered under the Sales Tax Act 1990 and are not appearing in the ATL under this Ordinance, an amount equal to 75% of the dealer's margin shall be added to the income of the person making such supplies. Moreover, it has also been notified that for the purposes of operation of this section, 10% of the sale price of the manufacturer shall be treated as dealers' margin, which is unjust. He said that on one hand, they are already called withholding agents and collectors while on the other, it seems that the policy makers want them to become enforcers of tax provisions as well although it is purely the job of FBR. This continues to create difficulties for businesses who would have to do the job of the tax authorities, bear costs of additional book keeping and then subsequently face the harassment of the tax officials. He said it would have been better if these taxes and duties were either done away or some compensation were extended to the businesses for performing this additional service on behalf of the tax authorities. Makda said that KCCI is currently reviewing the entire Finance Bill, taking input from all stakeholders and identifying several anomalies which will soon be submitted to the FBR with a request to rectify them on top priority basis. *BR.*

Govt. proposes amendments to Customs Act

The govt. has proposed new amendments in the Customs Act to control trade mis-invoicing used for transfer of funds across borders based on the false declaration of price, quantity or quality on an invoice. In this regard, a new section 32C was proposed in the customs Act 1969. Chairman FBR Shabbar Zaidi has ordered to identify the extent of mis-invoicing in export declarations in order to ascertain the suspected items or sectors and destination for such mis-declarations. In order to penalize the officers and taxpayers who are involved in commission or omission of an act for personal benefits and undue advantage, a new Section 156A is proposed in the Customs Act, which makes both the officers and the taxpayer liable for criminal proceedings in such cases. *Dawn.*

Budget taxation: salaried class to bear maximum brunt, opine panelists

The federal govt. through its Budget FY20 has badly squeezed the neck of salaried class, imposing heavy income tax (up to 35%) on 75% of the working class of the country. These views were expressed by panelists during a post budget discussion which included former president KCCI Zubair Motiwala. He said that the 5 export-oriented sectors, which are 80% of total exports, will face an adverse impact, particularly the SME sector after the withdrawal of the zero-rated facility and this measure will pile up tax refunds up to PKR 450Bn/annum approx. He added that the 17% sales tax will be drag industries towards disaster. *BR.*

Economic growth to slow down to 2.4%: finance ministry

On the basis of budgetary measures, the Ministry of Finance estimates economic growth rate to further slow down to 2.4% and inflation rate to rise up to 13%, showing a wide difference with targets set by the National Economic Council in its meeting presided over by PM Imran Khan on 29th May 19 in which it had approved a target of 4% GDP growth rate and inflation rate target of 8.5% for FY20. Finance ministry explained that the Planning Commission had set targets based on certain assumptions while the ministry and the SBP made projections on the basis of up-to-date data. *Dawn.*

Wasim wants NFC award share given directly to Karachi and Hyderabad LBs

Karachi Mayor Wasim Akhtar has demanded that PM Imran Khan give the share of Karachi and Hyderabad in the NFC Award directly to the municipal administrations of the two cities as the Sindh govt. is not willing to give it in the Provincial Finance Commission. The mayor said the provincial govt. was already not interested in solving problems of the masses and lamented that a meagre amount of PKR 45Bn was allocated for Karachi in the federal budget. He appealed to the PM to immediately announce a special package for the development of Karachi and warned that the whole country would also be affected if problems of the metropolis were not solved. *Dawn.*

Karachi has become 'worst city' in country: SC

Justice Gulzar Ahmed of the Supreme Court has observed that Karachi has become the "worst city" in the country. The judge particularly expressed his reservations over the performance of the Sindh govt. saying that apparently there is no govt. in Karachi. *Tribune.*

SBCA allowed to demolish 326 'illegal' under-construction buildings

The city administration has decided to raze as many as 326 illegal under-construction buildings in different parts of the city in pursuance of orders of the Supreme Court. *Dawn.*

\$ 26Bn exports eyed against \$ 24.65Bn projection

According to Budget FY20 documents, the govt. has targeted \$ 26Bn exports for FY20 against a projection of \$ 24.66Bn for FY19 on the basis of \$ 5.02Bn food group export, \$ 14Bn textile group, as well as \$ 3.9Bn other manufacturing exports. *BR.*

Finance Bill, 2019: penalties for tax offences massively enhanced

The govt. has massively raised penalties for different offences under Finance Bill, 2019 including concealment of income (minimum penalty increase from PKR 25,000 to PKR 100,000), non-filing of return (minimum penalty PKR 40,000) and erroneous calculation in return (minimum penalty PKR 30,000). *BR.*

PM directs raising retirement age

PM Imran Khan has directed the Ministry of Finance to explore the possibility of increasing superannuation age limit of civil servants, a move that if implemented could transform the bureaucratic structure. The Task Force on Institutional Reforms had floated the idea to increase the age by 3 years to 63 years. *Tribune.*

FBR seeks rent agreements from police

FBR has issued notices to all police stations in Karachi for collecting information of rented commercial and residential properties. The initiative has been launched to bring people into the tax net, besides to ascertain the tax collection on the rental income. *The News.*

Trade with Pakistan at record high, Wells tells Congress

The Trump administration has informed Congress that trade between the US and Pakistan reached an all-time high in 2018, as Washington endorsed Islamabad's re-emphasis on a relationship built on trade, not aid. Alice G. Wells, Senior State Department Official for South Asian Affairs informed the lawmakers that in 2018, US-Pakistan bilateral trade exceeded \$ 6.6Bn. US exports to Pakistan rose 4% to \$ 2.9Bn, also an all-time high. *Dawn.*

Swiss ditch Libor as rate reference

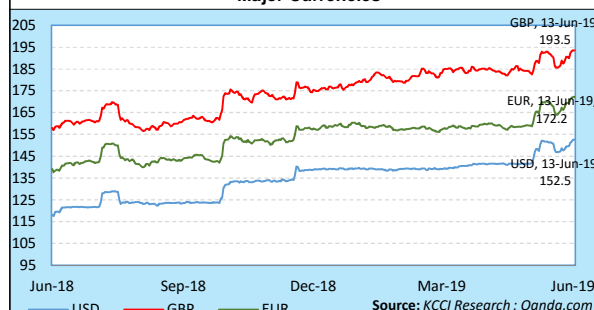
Switzerland's central bank has said that it is dropping Libor as a reference in setting interest rates in another blow to the scandal-plagued benchmark. The SNB has said that it is introducing its own policy rate in place of using the 3-month Libor rate as a reference point in making its decisions. *BR.*

Economic Indicators

List of Indicators	Date / Period	Unit	Value	Change Daily
USD-Interbank	13-Jun	PKR	152.90	0.88%
USD-Open MKT	13-Jun	PKR	153.00	0.82%
KSE-100 index	13-Jun	Pts.	35,403	1.33%
FIPI	13-Jun	\$ Mn	-2.26	NM**
Crude (AP'19)	13-Jun	\$/bbl	52.26	2.37%
Gold (MA'19)	13-Jun	\$/oz	1,343.1	0.70%
Gold (10g) Local	13-Jun	PKR	62,243	0.00%
Silver (MA'19)	13-Jun	\$/oz	14.89	0.94%
Cotton(KHI) -40 kg	13-Jun	PKR	9,431	0.00%
Kibor-6M	13-Jun	%	13.05	0.01%
Forex Reserves	3-Jun	\$ Bn	14.89	0.42%
	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-Mar 19	%	-2.93	
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

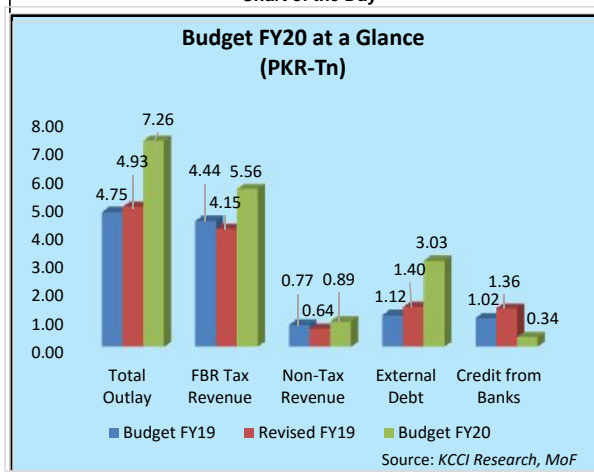


Quote of the Day

"We didn't actually overspend our budget. The allocation simply fell short of our expenditure."

Keith Davis

Chart of the Day



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