NEWSLETTER FOR FMC CLIENTS

FAZAL MAHMOOD AND COMPANY 147, Shadman Colony 1, Lahore

Contents

1. DOCUMENTATION OF ECONOMY: FBR SEEKS PARLIAMENT'S SUPPORT

The Federal Board of Revenue (FBR) Thursday sought Parliament's support for launching the national survey for documentation of the economy. This has been stated by Director General Directorate General Broadening the Tax-Base (BTB) Rehmatullah Wazir before the subcommittee of National Assembly Standing Committee on Finance. Rehmatullah Wazir presented a plan with special focus on tax survey for broadening the tax-base on national level.

He disclosed that there are 50 million potential income taxpayers, whose tax has been deducted at source, but they are not filing their due returns. These included subscribers of cellular companies, accountholders where tax deducted on cash withdrawal from banks and other categories where tax has been deducted, but no return has been filed.

Director General BTB strongly proposed launching of the tax survey across the country as a major initiative to broaden the tax-base. Field survey of Regional Tax Offices (RTOs) is necessary to expand the tax net. Due to political reasons, survey was not started. "If you (parliamentarians allow us) we can conduct survey for expanding the tax-base". It is upto the Parliament to give go ahead signal for starting the survey for broadening the tax base, he added.

When committee asked what is stopping FBR from launching the survey, tax authorities said that the FBR is ready to consider the proposal of the Director General BTB. One of the major reasons for narrow tax base is the discontinuity of regular surveys across the country. The discontinuation of the old Circle-based system without corresponding effective mechanism is also one of the reasons of narrow tax base. 60-70 percent returns are filed by documented corporate sector and we are not focusing on individuals and AOPs.

Giving a comparison, he said that 0.84 million returns were filed in Pakistan as compared to 36 million returns filed in India. Director General BTB said that almost every notice has been challenged in courts. Courts are granting stay orders against the notices issued by the FBR for expanding the tax-net.

He said that the preparation of the directory of non-filers of the income tax returns is necessary to broaden the tax-base. The sales tax side is often neglected in the BTB exercise, he explained. During the ongoing exercise of the BTB, the FBR has obtained data of 814,018 persons from motor vehicle registration authority, 548,248 cases of immovable properties from provincial registrars; 201,773 top mobile subscribers with higher bills; doctors 186,408; engineers 22,099; lawyers 3,697 and information of 608,801 traders/vendors/businessmen has been obtained from NADRA.

He said that the banks are reluctant to provide data of their major accountholders where huge amount of cash withdrawals took place during tax year 2014. There are big transactions where billions of rupees have been withdrawn from the banks, but the total number of nonfiler accountholders is over 85 percent. Last year, the amount of cash involved in withdrawals is Rs 6,300 billion, but accountholder's data is not shared with the FBR.

He said that the FBR has taken a number of initiative for broadening of direct/ indirect tax net in the country. The measures so taken are yielding both short and long terms results. The thrust of the various administrative and policy initiatives already taken or intended to be taken in the coming budget in this regard is to place more reliance on direct taxes in comparison to indirect taxes.
It has long been recognised that non-reporting and under reporting of income is a matter of grave concern. Such persons do not contribute to state revenue despite the fact that they can afford to and are liable to pay due taxes. On the other hand they demand services of the state.

In view of importance of this matter a fresh initiative to expand the tax net has been launched by the government in FY 2013-14. This exercise makes use of data quantifiable economic activities of significant value that are indicative of significant asset creation or consumption expenditure by persons not on tax roll.

For this purpose, a National Data Warehouse has been created in FBR. The data warehouse primarily includes the data collected through third party sources such as motor vehicle registering authorities, educational institutions, CVT collected by FBR and provincial governments on purchase of immovable property, electricity distribution companies, automobile manufacturing companies, and the withholding tax statements. Bases on the data base notices are being issued, he said.

Notices requiring filing of returns have been issued to 180,686 potential taxpayers so far. In response to these notices 54,791 persons have filed returns. Provisional assessments in cases where the persons did not respond to the notices have been framed in more than 44,613 cases, he said.

Besides, FBR assigned target to Regional Tax Offices of 207,000 notices to be issued under section 114 for filing of Income Tax Returns during FY 2014-15. So far 101,487 notices have been issued by the RTOs against the said target. Furthermore, all RTOs have been directed by FBR to maintain computerised stock registers for all potential taxpayers (both filers and non filers). FBR has also sought information for NADRA regarding persons who have declared themselves as businessmen/ industrialists in column No.22 and 23 of CNIC form submitted with NADRA.

DG BTB said that the new policy measures taken through Finance Act, 2014 to broaden the tax base include a new regime wherein different rates of adjustable withholding of Income Tax for income tax returns filers and non-filers on certain transactions have been introduced. This includes sale and purchase of immovable property, purchase, registration and transfer of ownership of motor vehicle, cash withdrawal from banks, and payment of profit on debt and dividend income. The higher rates of tax for non-filers will not only prod non-filers to file returns and declare their income for all sources, but also provide a database to FBR for identification of potential taxpayers to be pursued for broadening of tax base.

In the Finance Act, 2014 Special Procedures has been adopted wherein sales tax is charged from unregistered retailers through their monthly electricity bills at the rate of 5% where monthly bill does not exceed Rs 20,000 and seven and half percent where the bill exceeds the aforesaid amount. Big retailers working in air conditioned shopping malls or who has a credit or debit cards machine or whose cumulative electricity bill of preceding twelve consecutive months exceeds 600,000 or who have a shop in a air-conditioned shopping mall or who are part of a chain or are registered to pay sales tax at standard rate.

Sharing the issues and challenges, he said that the maintenance of centralised database to be jointly used by BTB, Directorate/PRAL and regular updating of such database. Moreover, new sources of

data to be explored and utilised for creation of central data bank whereas human resource deficiency still persists in BTB and field formations. There is a lack of logistics support; difficult and cumbersome procedures; lack of proper and effective enforcement by FBR/ field formation; lack of capacity and motivation to utilise available information; lack of taxpayer's education and lack of tax culture.

He recommended that a vigorous policy has to be followed - the key to success in this broadening of tax base drive is dependent on delivery of majority of notices to the right potential taxpayers therefore logistics requirements have to be carefully assessed and implemented.

A district level set up for broadening of tax base is proposed. Currently, the field formations are facing acute shortage of workforce and therefore officers and staff have been given additional charges which results in lesser priority given to broadening of tax base initiatives, Rehmatullah Wazir added

2. FBR PROPOSES NEW BANKING LAW

The Federal Board of Revenue (FBR) wanted to propose a new law that every banking transaction (business and non-business) beyond a certain limit should only be allowed through cross cheque or debit/credit entry. During the meeting of sub-committee of National Assembly Standing Committee on Finance here on Thursday, Senior Member Policy Inland Revenue Shahid Hussain Asad has requested the Parliament to approve a new law for documentation of economy in budget (2015-16).

"Parliament should help the FBR in introducing the new law," he said. If such a law has been effectively enforced, it would be instrumental in documentation of all transactions and ultimately rates of sales tax and income tax could be reduced. Through Finance Bill, parliament can propose any limit like Rs 1-2 lakh for documentation purposes. The idea is that every transaction whether business and non-business should only be allowed through cross cheque or debit/credit entry, Shahid Hussain Asad added

3. THE RUPEE: ALL-ROUND DECLINE

As a result of increase in dollar's demand, rates of the rupee fell modestly on the money market on Thursday, dealers said. The rupee dropped by eight-paisa against the dollar for buying and selling at Rs 101.63 and Rs 101.65 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: In sympathy with the open market track, the rupee also slipped and lost 10-paisa against the dollar for buying and selling at Rs 102.50 and Rs 102.70 respectively, they said.

The rupee adopted the same patterns versus the euro, losing 35-paisa for buying and selling at Rs 110.10 and Rs 110.35 respectively, they said.

In the fourth Asian trade, the US dollar held firm after strong US housing data helped to lift US bond yields while the New Zealand dollar fell more than one percent following dovish central bank comments. The dollar's index against a basket of six major currencies gained 0.3 percent to 98.270, extending its recovery into the fourth day. The dollar has been a currencyof choice for many investors so far this year as the US Federal Reserve is expected to raise interest rates in coming months, enhancing the yield attraction of the dollar.

The dollar was trading against the Indian rupee at Rs 63.05, the US currency was at 3.6185 versus the Malaysian ringgit and the greenback was at 6.1970 in terms of the Chinese yuan. Interbank buy/sell rates for the taka against the dollar on Thursday: 77.80-77.80 (previous 77.80-77.80). Call Money Rates: 06.80-8.00 percent (Previous 06.80-08.00 percent).

==========
Open Bid Rs.102.50
Open Offer Rs.102.70
==========
Interbank Closing Rates: Interbank Closing Rates For Dollar on Thursday.
==========
Bid Rate Rs.101.63
Offer Rate Rs.101.65
==========
RUPEE IN LAHORE: The rupee has fallen by losing five-paisa against the US dollar and the dollar resumed trading at its overnight closing of Rs 102.50 and Rs 102.75 as its buying and selling rate.
Following a slight increase in the dollar's demand, its rate moved up to Rs 102.55 and Rs 102.80 on buying and selling side while the rupee fell for another day and depreciated against the pound sterling that was purchased and sold at Rs 153.00 and Rs 153.25 compared with Wednesday closing of Rs 152.75 and Rs 153.00.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee-dollar parity remained unchanged on the open currency markets of Islamabad and Rawalpindi here on Thursday.

The dollar opened at Rs 101.75 (buying) and Rs 101.85 (selling) against same last rate. It did not observe further change in the second session and closed at Rs 101.75 (buying) and Rs 101.85 (selling).

Pound Sterling opened at Rs 155 (buying) and Rs 155.50 (selling) against same overnight value. It did not observe further change in the evening session and closed at Rs 155 (buying) and Rs 155.50 (selling).

4. NESTLE ANNOUNCES RS 81 EPS IN 1Q2015

Nestle Pakistan (NESTLE) announced record 1Q2015 earnings of Rs 3.6bn (EPS Rs 81) as against Rs 2bn (EPS Rs 45.8) in the same quarter last year. This result was well above market consensus estimates. Nestle Pakistan, the country's largest FMCG with market cap of $4.2bn, posted surprisingly positive result for 1Q2015.

Net profits grew 77% YoY and 141% QoQ led by record margins of 37.6pc 1Q2015 net sales of Rs 25.3bn were up 14pc YoY and 6pc QoQ. Close to 80pc of Nestle Pakistan's sales is from 'Milk & Nutrition' segment while 'Beverages' contributes 19pc. Nestle Pakistan recently reduced price of its UHT (Ultra High Temperature) product (packed milk) by 8pc to defend its market share as its competitor (EFOODSs) was selling packed milk at lower price.

Interestingly, quarterly Gross Margins (37.6%) and Operating Margins (22.3pc) were at alltime high, contributed by decline in international raw milk powder prices and low energy costs. Excellent bottom line growth on YoY basis was in spite of the fact that there was one time exchange rate gain estimated to be close to Rs 400mn in 1Q2014 which was not seen this time. NESTLE has posted 4-year sales and profit CAGR of 19% and 21% respectively. Since international milk powder prices are down 42% YoY to $2,819/ton in 1Q2015, and inflation down to 11-year low of 2.5% in Mar 2015, the NESTLE is expected to continue its current sales and margins trajectory in 2015.

5. APTMA CHIEF SEEKS SPECIAL RELIEF PACKAGE FOR TEXTILE INDUSTRY

Chairman All Pakistan Textile Mills Association (APTMA) S. M. Tanveer has said that Pakistan Textile industry is on the verge of collapse and needs a special relief package from the government on urgent basis to secure billions of dollars investment and create millions of jobs for people.

Talking to newsmen here on Thursday Tanveer called for setting up a government-industry joint task force to restore industry viability and devise growth path. On the occasion former chairman APTMA Gohar Ejaz, Fawad Anwar of Al-Karam Textile Mills and others were also present.

APTMA chief said that energy crisis, poor infrastructure, uncertain polices, higher interest rate and smuggling were directly hurting the country's textile sector, which is the largest employment provider sector of the country. Recently, APTMA has conducted a detail study on the Pakistan's textile sector aimed at finding out the reasons of the collapse, he informed.

Talking about the industry, he said that Pakistan's some 25 percent textile industry has already been shut down during the last five years, while there were threats of further collapse if the government did not provide immediate relief to the sector. "Presently, the country's textile industry is facing several issues including closure of mills, declining exports, fast losing world market share, idle of 30 percent production capacity and surge in imports and smuggling of textile and clothing. Therefore, from the last few years no investment and growth have witnessed in the sector as potential investors are reluctant to invest in textile sector", he added.

In addition, comparatively high cost of energy, finance and wages, energy crisis, technology disadvantage and Zero investment incentive and government support is also hurting the sector, chairman APTMA said. Although, Pakistan has successfully got GSP plus status from EU, however despite that the country exports were not increasing and posted a 16 percent decline during last month, he mentioned.

Talking about the policy measures, Tanveer said that Pakistan announced textile policy in 2009 for five year with $2.3 billion incentives, however only $450 million were spent with zero percent growth in textile exports. Second textile policy for the next five years was launched in 2014 with Rs 64 billion outlay, however so far no notification has been issued.

Comparing Pakistan's textile initiatives with India he informed that during the last five years Pakistan has added some one million spindles and 1,300 shuttless/Airjet looms. While, on the other hand India has given some $4 billion incentives to its textile industry during the last five years and it resulted in increase of 79 percent or $16 billion in the textile exports. Indian textile sector has added 14 million spindles, 36,000 Shuttless/Airjjet Looms, besides creating some 16 million new jobs, he added.

Talking about Export Incentives of India, he said that an Export Promotion Capital Goods (EPCG) scheme was introduced by India to promote the import of capital goods for zero duty subject to minimum export obligations. The government extended the benefits of zero duty EPCG beyond March 2013. Government of India also allowed a reduction on export obligation (EO) by 10 percent for domestic sourcing of capital goods.

Tanveer said that Pakistan's 90 percent textile machinery is some 10-year old compared to India's 30 percent and China's 10 percent. China and India were making billions of dollar investment in the machinery and technology side, while Pakistan's textile sector was fighting for its revival, he added. Talking about the relief measures, chairman APTMA said that Pakistan's textile industry needs 24/7 electricity and gas supply at regionally competitive rates and already determined tariff for FY 2014-15 be notified w.e.f. April, 2015. Presently, the industry was facing hours long load shedding and gas supply only for few hours, he mentioned.

He asked the government to exempt export-oriented textile industry from all surcharges, levies, cess and duties being imposed due to Inefficiencies and losses. "Fuel price adjustment due to falling oil prices should be fully passed on to industry to reduce the cost of production," he added.

Availability of raw materials particularly quality fibers (Cotton and MMF) at world competitive price through enhancing better quality cotton production is needed by removing duties/barriers on import of MMF and other specialty fibers to get a healthy growth Chairman APTMA said.

Proper fund should be allocated for the ailing industry as per textile policy initiative and government make arrangements for reduction in financial costs/charges from spinning onwards through Export Finance Scheme and other fiscal instruments, he added. "Investment support measures should compatible with region and no further increase in minimum wage should be announced without getting a substantial growth in textile industry as well exports," he demanded. Chairman APTMA said that appreciation of Pak rupee has also hurt the exports growth therefore exchange rate should be brought to its realistic value.

The industry also needs export promotion strategies/measures to overcome market edge being provided to competitors by their respective governments. FTA, RTA and bilateral agreements with potential importing countries should be finalised to increase export through tariff reduction, he suggested.

"Government should also incentivise and support textile Industry in order to diversify new products and markets. We also need to strengthen domestic commerce through formalisation of domestic consumption to spare market for domestic industry by introducing Tariff/non tariff measures, countering smuggling and unfair practices," he said. He also suggested government for 15 percent regulatory duty on the import of Yarns and Fabric meant for domestic consumption under the marketing strategy. He called for a campaign with the slogan of "Market Pakistan" to change Pakistan's perception to retain and capture world brands and markets

6. $6.64 BILLION EFF: POWER SECTOR, TAX BASE TOP 7TH REVIEW TALKS AGENDA

The government is gearing up to extend firm assurances with respect to reducing power sector subsidies and broadening the tax base to the International Monetary Fund (IMF) during scheduled discussions on seventh review under the $6.64 billion Extended Fund Facility (EFF) in the first week of May.

Sources said the Finance Ministry is prepared to hold discussions with the IMF staff level mission in Dubai and added that consultations would mainly focus on budgetary projection of fiscal deficit, subsidies, revenue collection targets as well as balance of payment and other macroeconomic targets for next fiscal year. Subsidy to the power sector and measures to be taken in the budget to broaden the tax base are expected to dominate the talks.

Secretary Finance Dr Waqar Masood Wednesday told the Public Accounts Committee that the government would provide an assurance to the IMF that circular debt would not exceed Rs 250 billion during the next fiscal year. Circular debt is considered as one of the primary problems of the power sector. Sources said that it remains unclear as to how the Finance Ministry would limit the circular debt at Rs 250 billion without clearing the existing volume and putting in place measures to prevent its resurgence. They added that the government plans may be to transfer the existing volume of circular debt to the power holding company and to allocate the required amount of debt servicing in the budget for the next fiscal year

The government has committed to the IMF during the sixth review that it will draft the necessary legislation by end-March 2015 to permanently prohibit the issuance of SROs to grant tax concessions or exemptions. Finance Ministry has also agreed to reorganise the Debt Policy Co-ordination Office as a middle office responsible for updating Medium Term Debt Management Strategy (MTDS) and monitoring its implementation, co-ordinating the credit risk management functions.

A senior official of Finance Ministry told Business Recorder that Finance Minister Ishaq Dar recently chaired a meeting of the National Financial Inclusion Strategy (NIFS) and discussed the date for launching the strategy. The Finance Minister has committed to the IMF that a multi-stakeholder NIFS Council will launch the strategy by end-April 2015 to ensure access to finance for poor, women, and marginalized segments of society including micro, small and rural enterprises.

7. FBR BARS COMMISSIONERS FROM GRANTING STAY ORDERS

ISLAMABAD: In a clear violation of law, the federal tax authorities have barred its justice department from granting stay orders against tax demands, mostly arbitrarily created by taxmen either to achieve their targets or sometimes harass taxpayers.

The move has created panic among the Commissioners Appeals, who are Grade-20 officers and acting as the first-tier justice dispensation wing of the Federal Board of Revenue (FBR).

The tax practitioners and the taxpayers, who have now been left at the mercy of taxmen, are also equally worried.

During a recent visit to Karachi, FBR Chairman Tariq Bajwa summoned the Commissioners Appeals and asked them not to grant any kind of stay orders against tax demands raised by the FBR officials, said a senior FBR official.

He reportedly said the stay orders were creating hurdles in achieving the tax targets.

He told the commissioners that if the demands were unjustified, the taxpayers could subsequently seek justice from high courts but the commissioners should not grant them any stay orders.

The Commissioner Appeals is the first level where the FBR's tax-related orders can be challenged. If any party is not satisfied with the Commissioner Appeals judgment, it can go to the Appellate Tribunal. Against the decisions of the Appellate Tribunal, the party can go to high courts and the Supreme Court – a process that is time-consuming and highly costly.

"A few years back, the FBR created a Rs270 million unjustified sales tax demand against me and only the high court gave me relief, but that cost me Rs40 million," said KhyberPakhtunkhwa Chamber of Commerce and Industry President Fuwad Ishaq

The Karachi Tax Bar Association (KTBA) has already taken up the FBR chairman's orders and sought an explanation from him through a letter. The letter states that the FBR does not have the authority to pass any directions to the Commissioner Appeals.

According to Clause 214(2) of the Income Tax Ordinance 2001, "no orders, instructions or directions shall be given by the board that will interfere with the discretion of the Commissioner Appeals in the exercise of his appellate function."

Under the law, the Commissioner Appeals' proceedings are treated as judicial proceedings and the tax bar vowed to defend the independence of judiciary.

Talking to The Express Tribune, Bajwa denied that he asked the commissioners to stop granting stay orders. "I have only asked them to proceed strictly in accordance with the law," he said.

Instead of finding new taxpayers, the FBR is harassing the existing ones, said Karachi Chamber of Commerce and Industry President Iftikhar Vohra.

Speaking at the platform of a parliamentary committee, Vohra alleged that in Karachi, the FBR's officers were settling the tax demands after taking bribes ranging from Rs50,000 to Rs300,000.

Sources said that the need to issue unlawful directions arose when the Commissioners Appeals started giving stay orders on demands created by a group of taxmen to harass the taxpayers.

Published in The Express Tribune, April 24th, 2015

8. FOREIGN CURRENCY: RESERVES UP 5.1% WEEK-ON-WEEK

Foreign exchange reserves held by the State Bank of Pakistan (SBP) increased 5.1% on a weekly basis on April 17, according to data released by the central bank on Thursday.

SBP's liquid foreign exchange reserves increased $605 million to $12,364 million compared to $11,759 million in the previous week. The rise in reserves is mainly attributed to receipts of privatisation proceeds of Habib Bank.

During the week, the SBP made payments of $270 million on account of external debt servicing and other official payments, the SBP said.

Total liquid foreign reserves held by the country, including net reserves held by banks other than the SBP, stood at $17,491 million while net foreign reserves held by banks amounted to $5,127 million.

Reserves went up by almost 4% two weeks ago following the receipt of $538 million from multilateral, bilateral and other sources, including $498 million from the IMF.

Published in The Express Tribune, April 24th, 2015.

9. EXPANDING FOOTHOLD: BESTWAY TAKES CONTROL OF LAFARGE MANAGEMENT

KARACHI: Bestway Cement, a subsidiary of Bestway Group, has taken management control of Lafarge Pakistan Cement.

Bestway Cement, which has now become the largest cement-maker in Pakistan after acquiring Lafarge, had earlier bid for 75.86% of Lafarge's shares for an enterprise value of $329 million in July 2014.

The company also acquired another 12.07% shares through the public offer, taking its shareholding in Lafarge Pakistan to 87.93%.

Total capacity of Bestway has now reached more than 8 million tons per annum – 18% of the entire cement industry's capacity in the country – after the acquisition of Lafarge that has a capacity of 2.5 million tons per annum. Lafarge's plant is located in Chakwal, Punjab.

"Taking over Lafarge Pakistan is a momentous occasion and a major milestone for the Bestway Group," said Zameer Choudrey, Chief Executive of Bestway Group and CEO of Bestway Cement, while talking to the company staff in Islamabad

Choudrey said Bestway intended to invest nearly $30 million in the acquired company, part of which would go to an environment- friendly waste heat recovery power plant.

He said his company was committed to further developing the acquired company into a role model for the cement industry to follow. Bestway is by far the largest overseas Pakistani investor in the country and Choudrey reaffirmed his determination to continue playing his role in the economic development of Pakistan.

The global conglomerate is the UK's 18th largest privately owned company and seventh largest family-owned business.

Bestway includes UK's second largest wholesaler serving 125,000 independent retailers and caterers from 64 warehouses nationwide. The group also recently acquired UK's third largest pharmacy business – The Co-Operative Pharmacy (now rebranded as Well Pharmacy).

The pharmacy business has over 770 branches across the UK and over 7,000 employees.

United Bank Limited – Bestway's banking division – is Pakistan's second largest private bank with assets under management of $10.3 billion and a branch network of over 1,400.

Published in The Express Tribune, April 24th, 2015

10. POWER PROJECT: FBR ACCUSED OF DENYING TAX EXEMPTIONS

Water and Power Development Authority (Wapda) has reportedly accused Federal Board of Revenue (FBR) of denying tax exemptions on Rs 10 billion Sukuk raised to fund 969 MW Neelum Jhleum Hydropower Project, well informed sources in Wapda told Business Recorder.

Giving the details, sources said, in order to implement the decision of the Prime Minister to meet immediate financing needs of Neelum Jhelum Hydropower Project, ECC in case number 48/05/2013 revised its earlier decision of January 13, 2011 and allowed Wapda to raise funds of Rs 20 billion (with tax exemption) under a GoP guarantee from the market through TFCs/Sukuks and divert Rs 10 billion (out of Rs 20 billion) to Neelum-Jhelum Hydropower Project as a bridge loan.

FBR, in order to attach tax exemption status to Wapda financing issued SRO number 119 issued on February 14, 2011. A careful study of the SRO reveals that SRO is general in nature and does not attach tax exemption to this financing unless the name of particular financing instrument floated by Wapda for this purpose is specified thus SRO requires amendment/revision on part of FBR.

"The SRO in its original form neither settles obligations on the part of FBR nor serves true compliance of the ECC decision," the sources added. According to sources, Wapda in compliance with the ECC decision, after searching capital market, finalised the Sukuk facility (with tax exemption) and with the concurrence of Finance Division in October 2013 and successfully raised Rs 10 billion in the name and style of " Wapda third Sukuk Company Limited"; and requested FBR to include the name of the said company against financing of Rs 10 billion in the SRO and update the remaining financing amount to be raised by Rs 10 billion instead of Rs 20 billion.

However, FBR despite receiving a clarification from the Ministry of Water and Power that it is not a case of any further tax exemption but compliance of ECC decision regretted to amend/ revise the SRO which on one side counts as non-compliance to the ECC decision but on the other also collapses the GoP guaranteed Wapda Sukuk finance of Rs 10 billion raised in the name of Wapda Third Sukuk Company Limited for Neelum Jhelum Hydropower Project.

Wapda is of the view that the forgoing facts are tantamount to intervention by ECC for true implementation of its decision of February 26, 2013, and a fresh summary is expected to be submitted to claim tax exemption status under Income Tax Ordinance, 2001 in respect of tax exemption Sukuk finance of Rs 10 billion raised in the name of Wapda Third Sukuk Company Limited.

The project is already delayed due to administrative mismanagement as Wapda did not achieve financial close prior to commencement of development work. Wapda is still facing a financing gap of $475 million. Chairman Wapda Zafar Mehmood, who is striving to get financing, told

Business Recorder that the government is negotiating with the Chinese Exim Bank for a loan of $475 million aimed at completing the project on the revised deadline.

Note; this is an information message and the firm takes no responsibility for any omission or error. Before taking any action under law, please consult us.
Regards

Fazal Mahmood FCA, FCA (England & Wales), FPA
Senior Partner
FAZAL MAHMOOD AND COMPANY (Member Firm of *jhi* **&** *TASK International***)**
CHARTERED ACCOUNTANTS

Address: 147-Shadman Colony 1
Lahore, 54000
Pakistan

Telephones: +92-42-37426771-3
Facsimile: +92-42-37426774

Website: www.fmc.com.pk