OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

ANNUAL REPORT
FOR THE YEAR
1996

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 1996

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MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 1996-97

THOMAS VICTOR HIGGINS
PRESIDENT
SHELL PAKISTAN LTD.

S. NASEEM AHMAD
VICE PRESIDENT
PHILIPS ELECTRICAL CO.
OF PAKISTAN (PVT) LTD.

Moin M. Fudda
Commercial Union Assurance Co. Plc

Dr. M. S. Habib
Wellcome Pakistan Limited
& Glaxo Labs. (Pak) Ltd.

M. Younas Khan
Deutche Bank A. G.

Michael U. Kleinhenz
Hoechst Pakistan Limited

Kamran Y. Mirza
Abbott Laboratories (Pakistan) Ltd.

Syed Sajjad Razvi
Citibank N. A.

I. S. Sangster
Lever Brothers Pakistan Ltd.

D. M. Woodroffe
The Hub Power Company Ltd.

SECRETARY GENERAL
Zahid Zaheer

DEPUTY SECRETARY
Mohammad Aslam

CHAIRMEN AND PRESIDENTS OF THE KARACHI CHAMBER

CHAIRMAN					
D. MCLVER	-	1860/61	F. Clayton C.I.E., M. L. C.	-	1922/23/24/25
W. NICHOL	-	1861/62	F. Clayton C.I.E., M. L. C.		
A. STEWART	-	1862/63/64	R. D. ENGLAND	-	1925/26
A. E. DENSO	-	1864/65/66	F. Clayton C.I.E., M. L. C.	-	1926/27/28
W. G.HALL	-	1866/67/68	F. Clayton C.I.E., M. L. C.		
J. G.TINDAL	-	1866/69/70	J. R. N. GRAHAM V.C.	-	1928/29
MAX DENSO	-	1870/71/72	E. A. PEARSON	-	1929/30
F. MASOTTI	-	1872/73	E. A. PEARSON	-	1930/31
W. THORBURN	-	1873/74	H. G. COOPER,		
W. M. MACAULAY	-	1874/75	M.C.D.C.M.	-	1930/31
W. THORBURN	-	1875/76	H. S. BIGG – WITHER,		
MAX DENSO	-	1876/77	O.B.E.	-	1931/32
JAMES GRANT	-	1877/78	J. R. N. GRAHAM, V.C.	-	1932/33
A. MCHINCH	-	1878/79/80	G. H. RASCHEN		
MAX DENSO	-	1880/81	R. H. MARTIN	-	1933/34
MAX DENSO	-	1881/82	H. S. BIGG – WITHER		
JAMES GRANT			O.B.E.	-	1934/35/36
JAMES GRANT	-	1882/83/84	G. H. RASCHEN C.B.E.	-	1936/37/38
MAX DENSO	-	1884/85	G. H. J. RICHMOND		
MAX DENSO	-	1885/86	R. H. MARTIN	-	1938/39
A. THOLE			J. H. BLACKWELL,		
A. THOLE	-	1886/87	C.B.E., M.C.	-	1939/40
A. MCHINCH	-	1887/88 TO 1889/90	J. HUMPHREY, O.B.E.	-	1940/41/42
JAMES CURRIE	-	1890/91 TO 1894/95	A. T. ORR DEAS, M.C.	-	1942/43
T. R. MCLELLAN	-	1895/96 TO 1898/99	J. H. BLACKWELL, C.B.E., M.C.		1943/44
T. L. F. BEAUMONT	-	1899/1900	W. J. CULLEN, M.B.E.		
D. MCLVER	-	1900/01 TO 1902/03	J. HUMPHREY, C.B.E., J.P.	-	1944/45
HON'ABLE W. T.	-				
O' BRIEN	-	1903/04	LT. COL W.B. HOSSACK,		
M. DE P. WEBB, C.I.E.	-	1904/05 TO 1909/10	M.L.A.	-	1945/46
M. DE P. WEBB, C.I.E.	-	1910/11	B. R. GRAHAM		1946/47
H. T. ROBSON			E. J. PAKES		
M. DE P. WEBB, C.I.E.	-	1911/12/13	R. L. COGHLAN	-	1947/48
M. DE P. WEBB, C.I.E.	-	1913/14	B. R. GRAHAM, O.B.E.	-	1948/49/50
W. U. NICHOLAS			J. N. KERR	-	1950/51
M. DE P. WEBB, C.I.E.	-	1914/15/16	D. B. ASHWORTH		
M. DE P. WEBB, C.I.E.			B. R. GRAHAM, C.B.E.	-	1951/52/53
W. U. NICHOLAS	-	1916/17	T. W. CREE	-	1953/54
M. DE P. WEBB, C.I.E.	-	1917/18/19	B. FANE SAUNDERS, C.B.E.	-	1954/55
H. G. JAUGHTON	-	1919/20	T. W. CREE	-	1955/56
SIR MONTAGUE WEBB			W. E. WILKIE – BROWN	-	1956/57
KT., C.I.E., C.B.E., M.L.C.	-	1920/21/22	MIRZA A. RAZA	-	1957/58

PRESIDENTS' OF THE OVERSEAS INVESTORS CHAMBER

PRESIDENTS

T. W. CREE, C.B.E.	-	1958/59/60
M. J. CONDON, C.B.E.		
W. N. BANKS	-	1960/61
W. B. BANKS	-	1961/62
S. R. STEPHENS	-	1962/63
H. C. G. BROWN. D.S.C..	-	1963/64
J. HABIBULLAH		1964/65
J. F. C. GALLAHER	-	
C.B.E., D.S.O., D.F.C.,	-	1965/66
R. A. M. HENSON	-	1966/67
J. F. C. GALLAHER		
C.B.E., D.S.O., D.F.C.,	-	1967/68
J. D. LE VALLIANT	-	1968/69/70
D. JONGENEEL	-	1970/71
MASUD KARIM	-	1971/72/73/74
J. H. A. MIDWOOD	-	1974/75
K. Z. HASSAN	-	1975/76
W. R. A. KIMBER	-	1976/77/78
SALEEM MAJIDULLAH	-	1978/79/80
R. STOKELL	-	1980
N.A. SHAH	-	1980/81/82/83
D.M. KEITH, O.B.E.	-	1983/84/85
DR. M. S. HABIB	-	1985/86/87
NASEEM S. MIRZA	-	1987/88/89
DR. M. S. HABIB		1989/90/91/92
C. T. DULLAERT	-	1992
M. YOUNUS KHAN	-	1992/93/94
NISAR A. MEMON	-	1994/95
TARIQ IKRAM	-	1995/96
T. V. HIGGINS	-	1996/97

LIST OF SECRETARIES

Secretaries

R. Bell	
R. Stewart	
W. Nicol	1860-4
W.W. Beck	
J.W. Hill	
H. Jacob	
A.N. de Fleurimont	1864-68
Dan McIver, Jr.	1868-69
G.T. Portlock	1870-81
W. Cooper (Acting)	1881-82
G.Y. Portlock	1882
Harry W. Brooks	1882-87
Stephen W. Anderson	1887-90
H.E. Fuller (Acting)	1890-91
Col A.C. Cory	1891-93
T.L. F. Beaumont	1894-95
C.H. Chetham	1895-1908
E.L.Rogers	1908-20
Major Alan Duguid, AFC, MLC	1921-31
H.M. Gomes (Acting)	1932-42
M. de Melo (Acting)	1943
H.J. Martin, MBE	1944-53
J.S. Lobo	1953-58
M. Nazir Mohiyuddin (Acting)	1958-59
A. Eumorfopoulos	1959-64
P.T. Ensor	1964-78
Salamat R. Rizvi	1978-90

Secretary General

Zahid Zaheer	1991-96

CIRCULAR NO. 02

7TH MAY, 1997.

ALL MEMBERS (HEADS OF FIRMS)

<u>NOTICE OF THE 137TH ANNUAL GENERAL MEETING</u>

Notice is hereby given that the ***137th Annual General Meeting of the Members of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY will be held at the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi-74000 on WEDNESDAY 25TH JUNE, 1997 AT 10.30 AM*** *to transact the following business:*

1. *To confirm and sign the Minutes of the 136th Annual General Meeting held on Thursday 27th June, 1996 at 11 AM.*

2. *To approve the Minutes of the Extraordinary General Meeting of the Chamber held on Thursday 20th March, 1997 at 11.30 AM.*

3. *To receive the Report of the Managing Committee for the year 1996.*

4. *To pass the Audited Accounts for the year ending 31st December, 1996.*

5. *To appoint Auditors for the Chamber for the year 1997 and to fix their remuneration.*

6. *To receive Report of the Scrutineers on the ballot for the election of 8 (Eight) Members of the Managing Committee and announce the results of the election.*

7. *Any other matter with the permission of the Chair of which due notice shall have been given as required under Article 26 of the Chamber's Articles of Association.*

BY ORDER OF THE COMMITTEE

ZAHID ZAHEER
SECRETARY GENERAL

MINUTES of the 136th Annual General Meeting of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY held in the Council Hall of the Chamber at Chamber of Commerce Building, Talpur Road, Karachi on Thursday 27th June, 1996 at 11 AM.

PRESENT IN PERSON

MR. THOMAS VICTOR HIGGINS
(PRESIDENT ELECT)
(SHELL PAKISTAN LIMITED)

MEMBERS

01 AEG PAKISTAN (PVT) LTD	MR. M. HAMID
02 ANZ GRINDLAYS BANK PLC	MR. S. TARIQ HUSAIN
03 BANK OF AMERICA NT&SA	MR. S.ALI RAZA
04 BANQUE INDOSUEZ	MR.ZAKIR MAHMOOD
05 BASF PAKISTAN (PVT) LTD	MR. ERIC J. JANSSENS
06 BATA PAKISTAN LIMITED	MR. FAROOQ AHMED
07 BAYER PAKISTAN (PVT) LTD	MR. F. J. WITASEK
08 BOC PAKISTAN LIMITED	MR. S. A. HADI
09 BRISTOL-MYERS SQUIBB PAKISTAN (PVT) LTD	MR. AUSAF QURESHI
10 BURSHANE (PAKISTAN) LIMITED	MR. M. A. JHUMRA
11 CARR MASHRIQ (PVT) LTD	MR. MOHAMMAD ALI
12 CIBA-GEIGY (PAK) LTD	MR. AMIN NOTTA
13 COMMERCIAL UNION ASSURANCE CO. PLC	MR. MOIN M. FUDDA
14 CYANAMID (PAK) LTD	MR. S. SHAUKAT ALI
15 DEUTSCHE BANK AG	MR. M. YOUNAS KHAN
16 DOHA BANK LTD	MR. KHAWAJA ZAFARULLAH
17 DU PONT FAR EAST INC	MR. ASIF IKRAM
18 EMIRATES BANK INTL LTD	MR. KEVIN FLANNERY
19 ENGRO CHEMICAL PAK LTD	MR. SHAUKAT R. MIRZA / MR. ZAFFAR A. KHAN
20 FILTRONA INTL LTD	MR. MINHAS ZULFIQAR
21 GESTETNER (PVT) LTD	MR. ZIAUL HASSAN
22 GLAXO LABORATORIES (PAK) LTD	DR. M. S. HABIB
23 HABIB BANK AG ZURICH	MR. R. ALVI
24 HINOPAK MOTORS LIMITED	MR. H.Z.A. SYED/MR.F.K.SIDDIQI
25 HOECHST PAKISTAN LIMITED	MR. M. U. KLEINHENZ
26 IBM SEMEA	MR. NISAR A. MEMON
27 ICI PAKSITAN LIMITED	MR. MAHMOOD SAEED
28 ICI PAKISTAN POWERGEN LIMITED	MR. MAHMOOD SAEED
29 JOHNSON & JOHNSON PAK (PVT) LTD	MR. SHAMSHAD ALI
30 KHADIM ALI SHAH BUKHARI & CO LTD	MR. SHABBIR HAMZA
31 KNOLL PHARMACEUTICALS LIMITED	MR. W. J. HARGAN
32 KSB PUMPS COMPANY LIMITED	MR. BASHIR SALEEM
33 LEVER BROTHERS PAKISTAN LIMITED	MR. I. S. SANGSTER
34 MACKINNON, MACKENZIE & CO. OF PAK (PVT) LTD	MR. S. H. A. BUKHARI
35 MERCK SHARP & DOHME OF PAK LTD	MR. S. SAEED
36 MULLER & PHIPPS PAK (PVT) LTD	MR. IMTIAZ LONGI
37 ORIX LEASING PAKISTAN LIMITED	MR. HUMAYUN MURAD
38 OTSUKA PAKISTAN LIMITED	MR. MEHTABUDDIN FEROZ
39 P&O CONTAINERS PAKISTAN (PVT) LTD	MR. B. C. HAMILTON
40 PAKISTAN GUM & CHEMICALS LIMITED	MR. S. G. YAZDANI / MR. J. MAKUJINO & MR. M. FAHIM

41 PAKISTAN GUM INDUSTRIES (PRIVATE) LIMITED	MR. SHOKATALI I. HAJI
42 PAKISTAN ITNERNATIONAL COMPUTERS LIMITED	MR. V. A. ABIDI
43 PAKSITAN PETROLEUM LIMITED	MR. M. NASIRUDDIN
44 PAK WATER BOTTLERS (PRIVATE) LIMITED	MR. A. T. MIR MOHAMMADI
45 PARKE DAVIS & COMPANY LIMITED	MR. M. SALEEM
46 PHARMATEC PAKISTAN (PRIVATE) LIMITED	MR. SHAFQAT H. SHAH
47 PHILIPS ELECTRICAL CO. OF PAK (PVT) LTD	MR. S. NASEEM AHMAD
48 PHILIPS ELECTRICAL IND OF PAK LTD	MR. S. NASEEM AHMAD
49 PROCTER & GAMBLE PAK (PVT) LTD	MR. S. Q. SHAREEF
50 REUTERS LIMITED	MR. JAVED FARUQI
51 ROCHE PAKISTAN LIMITED	MR. A. A. VAZIR
52 SCHERING ASIA GMBH	MR. LARS BRUENING
53 SHELL PAKSITAN LIMITED	MR. T. V. HIGGINS
54 SIEMENS PAKISTAN ENGINEERING COMPANY LTD.	MR. MARTIN P. SULGER
55 SINGER PAKISTAN LIMITED	MR. KAMAL SHAH
56 SINGER SEWING MACHINE COMPANY	MR. KAMAL SHAH
57 SMITH & NEPHEW PAKSITAN (PRIVATE) LIMITED	MR. REHMAN GHANI
58 SOCIETE GENERALE	MR. SANDY GILLIO
59 UNISYS PAKISTAN (PRIVATE) LIMITED	MR. AAMER SHEIKH
60 WELLCOME PAKISTAN LIMITED	DR. M. S. HABIB
61 WYETH LABORATORIES (PAKSITAN) LIMITED	MR. S. SHAUKAT ALI

PRESENT BY PROXY

01 ATTOCK OIL COMPANY LIMITED
02 BANK OF TOKYO LIMITED
03 CITIBANK N. A.
04 DOMESTIC APPLIANCES LIMITED
05 GEC AVERY (PRIVATE) LIMITED
06 GILLETTE PAKISTAN LIMITED
07 INDUS MOTOR COMPANY LIMITED
08 INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LIMITED
09 ITOCHU CORPORATION
10 LAKSON TOBACCO COMPANY LIMITED
11 LUCAS SERVICE PAKSITAN (PRIVATE) LIMITED
12 LUFTHANSA GERMAN AIRLINES
13 M-I OVERSEAS LIMITED
14 3M PAKISTAN (PRIVATE) LIMITED
15 MASHREQBANK PSC
16 NEW HAMPSHIRE INSURANCE COMPANY
17 NICHIMEN CORPORATION
18 NORTHERN BOTTLERS (PRIVATE) LIMITED
19 ORGANON PAKSITAN (PRIVATE) LIMITED
20 OXFORD UNIVERSITY PRESS
21 PAKCOM LIMITED
22 PAKSITAN OILFIELDS LIMITED
23 PAKSITAN TOBACCO COMPANY LIMITED
24 RECKITT & COLMAN PHARMACEUTICALS (PRIVATE) LIMITED
25 RHONE POULENC CHEMICALS (PRIVATE) LIMITED
26 ROYAL EXCHANGE ASSURANCE
27 RUPLAI BANK LIMITED
28 SGS PAKSITAN (PRIVATE) LIMITED
29 SKF SOUTH EAST ASIA & PACIFIC (PTE) LIMITED
30 UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED

The meeting opened with a recitation from the Holy Quran. Mr. Aslam was requested to invoke the meeting. The President elect Mr. T. V. Higgins addressed the meeting as follows:

Gentlemen.

I welcome you to the 136th Annual General Meeting of the Chamber. Unfortunately Mr. Tariq Ikram is not here and is in Islamabad attending a meeting on behalf of the Chamber. It is therefore my privilege to preside.

In addition to Members present in person, we have received 30 proxies from Members as prescribed in Article 36 of the Chamber's Articles of Association. We, therefore, constitute the necessary quorum prescribed under Article 31 and can proceed to transact business on the Agenda.

The Notice convening the meeting having already been circulated, I propose that this be taken as read.

The first item on the Agenda is to confirm and sign the Minutes of the 135th Annual General Meeting held on 11th April, 1995 at 11 AM. These have already been circulated to all Members and if there are no comments, I propose that these be taken as confirmed and I will now sign the Minutes.

(THE PRESIDENT SIGNED THE MINUTES)

Minutes of Extraordinary General Meeting held on January 15, 1996 at 11 AM have already been circulated to all Members, and have been in your hands for some time. I propose that these be also taken as read and if there are no comments I wish to confirm them. I will now sign these Minutes also.

(THE PRESIDENT SIGNED THE MINUTES)

The next item on the Agenda is to receive your Committee's Annual Report for the year 1995. The President's review and the Committee's report have already been circulated to you. I will be pleased to answer any question arising therefrom, and now invite discussion.

PAUSE FOR A FEW MINUTES

Since there are no further questions forthcoming, may I request any Member to PROPOSE that the Report of the Committee for the year 1995 as circulated to Members be ADOPTED. May I request another Member to SECOND this RESOLUTION

RESOLUTION

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 1995 AS CIRCULATED TO MEMBERS BE AND IS HEREBY ADOPTED"

(PROPOSED BY Mr. S. A. Hadi of BOC PAKISTAN LIMITED)

AND

(SECONDED BY Dr. Mahmood Saeed of ICI PAKISTAN LIMITED)

was carried.

The next item on the Agenda is to pass the Audited Accounts for the year 1995. Copies are already with you and if there are any questions, I shall endeavor to reply to them.

PAUSE FOR A FEW MINUTES

As there are no questions, may I request any Member to PROPOSE the adoption of the Accounts for the year ended 31st December, 1995 and another Member to SECOND the RESOLUTION.

RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1995 BE AND ARE HEREBY ADOPTED"

(PROPOSED BY Mr. Kamal Shah of SINGER PAKISTAN LIMITED)

AND

(SECONDED BY Mr. Farooq Ahmed of BATA PAKISTAN LIMITED)

was carried

The Fifth item on the Agenda is to consider appointment of Auditors for the year 1996.

I request a Member to PROPOSE and another Member to SECOND the following RESOLUTION

RESOLUTION

"THAT MESSRS. A. F. FERGUSON & COMPANY BE AND ARE HEREBY RE-APPOINTED AS AUDITORS FOR THE YEAR 1996 AT A FEE OF RS. 20,000 PER ANNUM".

(PROPOSED BY Mr. S. H. A. Bukhari of MACKINNON)

AND

(SECONDED BY Mr. Moin M. Fudda of COMMERCIAL UNION)

was carried.

The Sixth item on the Agenda is to record the election of the President, Vice-President and Eight other Members of the Managing Committee for the year 1996 - 97 and to receive Scrutineers Report on the election.

There was no election for the position of the President, and I being the only candidate stands elected.

"APPLAUSE"

This year elections were held for the post of Vice-President and for Eight Members of the Managing Committee.

Mr. Ahmad Mahmud and Mr. Brian C. Murphy were kind enough to act as Scrutineers this year and I wish to thank them both for having rendered this service.

I will now open the envelopes and read the Scrutineers Reports on the result of the Ballot.

The result of the Elections are:

VICE PRESIDENT MR. S. NASEEM AHMAD

MEMBERS OF THE MANAGING COMMITTEE
(In alphabetical order)

MR. MOIN M. FUDDA
DR. M. S. HABIB
MR. M. YOUNAS KHAN
MR. MICHAEL U. KLEINHENZ
MR. KAMRAN Y. MIRZA
MR. SYED SAJJAD RAZVI
MR. I. S. SANGSTER
MR. D. M. WOODROFFE

I would like to take this opportunity to congratulate all the Members who have been elected to serve on the Managing Committee and to thank those who have not been successful, for the interest they have shown in the affairs of the Chamber.

The last item on the Agenda is to discuss any other business for which due notice should have been given. There is a letter from Mr. Shaukat Mirza of Engro Chemicals Pakistan Limited, a member company, expressing his dis-satisfaction at the Committee's decision to find him ineligible for election to the position of Vice President. He has asked for this matter to be put n the Agenda of the Annual General Meeting.

I invite the member to take the floor and express his point of view. Mr. Shaukat Mirza said that he had discussed this matter with the President Elect, and since the new Committee is going to examine this matter, he would not like to press this matter further.

Before closing the meeting I would like to take the opportunity to share some of my thoughts with you.

Gentlemen, I wish to thank you for the confidence reposed in me. The new Committee will pursue vigorously the outstanding taxation issues, environmental matters and build on the successes of the past. I also hope and expect that it will be possible to bring the Pharma Group to work within the folds of the OICC&I. I look forward to your inputs and support.

Would INCOMING VICE PRESIDENT elect like to say a few words.

Mr. Naseem Ahmad thanked the Members for their support in electing him as the Vice President. He expressed similar views as the President.

Mr. Nisar Memon proposed vote of thanks to the outgoing Committee and to Mr. Tariq Ikram for the excellent manner in which they have led the Chamber.

The House applauded.

The business of the Annual general Meeting having finished, I now request you to join me for Tea.

ZAHID ZAHEER
SECRETARY GENERAL

26TH MARCH, 1997

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY HELD IN THE COUNCIL HALL AT THE CHAMBER OF COMMERCE BUILDING, TALPUR ROAD, KARACHI - 74000 ON THURSDAY 20TH MARCH, 1997 AT 11.30 AM

PRESENT IN PERSON

1.	SHELL PAKISTAN LIMITED	MR. T. V. HIGGINS PRESIDENT
2.	ABBOTT LABORATORIES (PAKISTAN) LIMITED	MR. KAMRAN Y. MIRZA
3.	BANK OF AMERICA NT & SA	MR. SYED ALI RAZA
4.	BAYER PAKISTAN (PRIVATE) LIMITED	MR. NADEEM ABBAS
5.	COMMERCIAL UNION ASSURANCE COMPANY PLC	MR MOIN M. FUDDA
6.	CYANAMID (PAKISTAN) LIMITED	MR. AIJAZ KHAN
7.	DEUTSCHE BANK A.G.	MR. M. YOUNAS KHAN
8.	DOHA BANK LIMITED	MR. WALI MOHAMMAD
9.	ENGRO CHEMICAL PAKISTAN LIMITED	MR. SHAUKAT R. MIRZA
10.	EQUITY INTERNATIONAL (PRIVATE) LIMITED	MR. SAFDAR RASHID
11.	GESTETNER (PRIVATE) LIMITED	MR. FUAD A. HASHIMI
12.	GILLETTE PAKISTAN LIMITED	MR. AMAR SFERI
13.	GLAXO WELLCOME PAKISTAN LIMITED	MR. A. MUJTABA KHALID
14.	HABIB BANK AG ZURICH	MR. R. ALVI
15.	HUB POWER COMPANY LIMITED (THE)	MR. D. M. WOODROFFE
16.	INTERNATIONAL HOUSING FINANCE LIMITED	MR. SHAMIM ZAMAN
17.	MACKINNON, MACKENZIE & CO OF PAKISTAN (PRIVATE) LIMITED	MS. FARAH QURESHI
18.	ORIX LEASING PAKISTAN LIMITED	MR HUMAYUN MURAD
19.	OXFORD UNIVERSITY PRESS	MS. AMEENA SAIYID
20.	P&O CONTAINERS PAKISTAN (PRIVATE) LIMITED	MS. FARAH QURESHI
21.	PAKISTAN INTERNATIONAL COMPUTERS LIMITED	MR. V. A. ABDI
22.	RECKITT & COLMAN OF PAKISTAN LIMITED	MR. TARIQ IKRAM
23.	REUTERS LIMITED	MR. J FAROQI
24.	SGS PAKISTAN (PRIVATE) LIMITED	MR. J. RIJKEN
25.	SMITH & NEPHEW PAKISTAN (PRIVATE) LIMITED	MR. FARRUKH
26.	UNITED LINER AGENCIES OF PAKISTAN (PRIVATE) LIMITED	MR. M. MOONIS
27.	WYETH LABORATORIES(PAKISTAN) LIMITED	MR. AIJAZ KHAN

PRESENT BY PROXY

1. ALCATEL PAKISTAN LIMITED
2. GEC AVERY (PRIVATE) LIMITED
3. ICI PAKISTAN LIMITED
4. ICI PAKISTAN POWERGEN LIMITED
5. JAMES FINLAY PLC
6. KELLER GRUNDBAU GmbH
7. LEVER BROTHERS PAKISTAN LIMITED
8. LEVER CHEMICALS (PRIVATE) LIMITED
9. M-I OVERSEAS LIMITED
10. MITSUBISHI CORPORATION

11. *NORWICH UNION FIRE INSURANCE SOCIETY LIMITED*
12. *ORGANON PAKISTAN (PRIVATE) LIMITED*
13. *PAKISTAN PETROLEUM LIMITED*
14. *PAKISTAN TOBACCO COMPANY LIMITED*
15. *PHARMATEC PAKISTAN (PRIVATE) LIMITED*
16. *PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PRIVATE) LIMITED*
17. *PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED*
18. *RHONE POULENC RORER PAKISTAN (PRIVATE) LIMITED*
19. *ROYAL EXCHANGE ASSURANCE*
20. *STANDARD CHARTERED BANK*

President welcomed the Members to the meeting. He stated that in addition to 27 Members present in person, we have received 20 Proxies from Members as prescribed in Article 36 of the Chamber's Articles of Association. We therefore, constitute the necessary quorum prescribed under Article 31 and can proceed to transact the business on the agenda. The Notice of the Extraordinary General Meeting dated 27th February 1997 has already been circulated and I take it as read. The proposal to change the Articles is documented in this Notice, and details of the second Resolution were circulated vide Chamber Circular No. 28 dated 24th February, 1997 which was attached with the above Notice.

I now request you to consider the proposal of the Managing Committee and if found fit to approve a capital expenditure of Rs. 40 Million for the construction of an Annexe Building, details of which have been described in the attached Chamber Circular No. 28 dated 24th February, 1997.

I will now request Mr. Tariq Hasan, Architect and Mr. Zahid Zaheer to make a presentation of the proposal.

Mr. Tariq Hasan Architect made an audio visual presentation and several questions were asked, particularly about the parking being provided in the new building and the Government permission required to go ahead with the project.

Several members participated in the discussion and after adequate discussion it was Resolved that the Managing Committee be authorized to go ahead and take all the necessary steps to construct the Annexe Building at a total cost of Rs. 40 Million. The above Resolution was carried unanimously.

The President then invited discussions on the following Resolution, proposed by the Managing Committee.

QUOTE

RESOLVED as a Special Resolution that the existing fifth Proviso to Article 14 be and is hereby deleted and the following substituted in place thereof:

"Provided further that no person who has been a sitting member on the Committee for less than one year shall be eligible to contest for the post of Vice President."

UNQUOTE

Discussion on the above proposal came from the floor, in particular Mr. Shaukat Mirza who proposed that the choice of the Vice President must not be limited to sitting Managing Committee Members. After considerable discussions the President called for a show of hands for those in favour of Mr. Shaukat Mirza's proposal. Only Five persons raised their hands in favour of the Mr. Mirza proposal, which was not carried.

The proposal of the Managing Committee was then put for consideration of the house and the President called for a show of hands. Seventeen persons raised their hands in favour of the Committee's proposal and the Resolution as proposed by the Managing Committee was carried. The resolution was carried with thirty-seven votes(17 + 20 proxies).

The President invited the Members present to join him for tea.

ZAHID ZAHEER
SECRETARY GENERAL

PRESIDENT'S REVIEW - 1996

It gives me pleasure to welcome you to the 137th Annual General Meeting of the Chamber.

The past year has been one of uncertainty for Pakistan. The economic performance for 1995 / 1996 was not satisfactory. Slippages both on the revenue and expenditure side contributed to mounting fiscal imbalances. The trade deficit widened sharply and foreign exchange reserves declined significantly.

It was against this backdrop that in June the budget for 1996 / 1997 was presented in the Parliament, by a Government which had lost much of its moral and political authority. There were reports of rampant corruption at the highest level, gross mismanagement and political ineptness. The budget was indicative of an ailing economy. A massive dose of Rs.40 Billion of additional taxes was proposed, placing excessive reliance on mobilizing additional sales tax revenue. The burden of this new taxation was distributed inequitably. Government spending was not contained and agricultural income remained outside the tax net. These measures further weakened the private sector's confidence.

In the third week of October, 1996, a mini budget was announced, bringing in a new package of additional taxes of Rs.13 Billion accompanied by a Rs.20 Billion cut in development expenditures, and a 8.5% devaluation in the currency. The public reaction was outrage, followed by a " shutter down" strike on 26th October.

Inflation remained uncontrolled. Since June 1995 the Rupee had been devalued by 32% with the consequential "cost push" inflation. The failure of the government to fulfil its obligations to the IMF conditonalities resulted in the withholding of the tranche of the standby facility after two unsuccessful missions to the IMF in Washington in September and October, 1996.

On 5th November the President dismissed the Government and dissolved the Parliament using his powers under Article 58(2) of the Constitution. The Caretaker Government that assumed office from 5th November, 1996 till 14th February, 1997 had a three point agenda:

(i) to hold elections

(ii) to haul up the corrupt under the accountability laws and

(iii) to revamp and rehabilitate the economy.

The elections were held on schedule but the accountability process did not take off and the story on the economic front was similar. Despite austerity measures and the efforts to build forex reserves, the economy remained in the doldrums of stagflation. The Caretaker Government did succeed in cutting down development expenditure.

However despite all its efforts, endeavours and sincerity, the Caretaker Government was unable to accomplish its objectives. More than fifty ordinances were promulgated over the period covering important issues, which remain to be enacted within the next one hundred and twenty days.

Weakened by little or no industrial growth, high interest rates and no money available to small businesses for domestic investment, tepid inflow of foreign investment and spiraling inflation, the economy was in need of a "shot in the arm". This came on 28th May, 1997 in the form of an economic revival package. These reforms relate to cut in tax rate, sales tax and duties, and hinge upon the assumption that the economy will grow faster and generate additional tax revenue for the Government.

Although intended to reduce the burden of taxes on local manufacturing and make them more competitive against imports, the administration of these reforms and the SRO's that followed created over two hundred tariff anomalies for local manufacturers. Higher growth in the manufacturing sector is contingent upon addressing these anomalies. A Tariff Anomalies Committee has been constituted for this purpose. We hope for a quick redressal of these matters.

The Chamber continued its efforts to strengthen the partnership between the Government and the private sector. My predecessor, Mr. Tariq Ikram, started the process by organizing a Seminar on "Creating the Future Together" in early March, 1996. Since then the Chamber has interacted with the Government on both budget and trade policy proposals.

Soon after the budget in June 1996, we had intensive discussions and meetings with the Government which resulted in the satisfactory resolution of the tax on perquisites.

The Chamber also took up with the Government the concerns arising out of the 1996 / 1997 budget which had adversely effected the industrial sector.

We have also taken up with the Government our concerns on the Environmental legislation and the National Environmental Quality Standards (NEQS). This resulted in the Chamber being offered a seat on the Pakistan Environmental Protection Council (PEPC). The Chamber has attended several meetings.

The Federal Special Secretary of Finance was invited to meet the Managing Committee in September followed by meetings in Islamabad in October with the Federal Minister of Investment and with the Board of Investment where priority areas of investment were outlined.

In November I called upon the Caretaker Federal Finance Minister, Mr. Shahid Javed Burki to put forward suggestions to further enhance the investment environment in Pakistan. The Chamber also met the Secretary Finance to express the Chamber's concerns on the excessive burden of taxation falling on the industrial sector thereby discouraging manufacture in Pakistan.

Many members of the Chamber participated in the various task forces that were constituted by the Caretaker Government, the task force on tariff reforms being one of them. Vice President, Mr. Naseem Ahmad ably represented the Chamber at this forum.

In January 1997 alongwith representatives of major British Companies I met Mr. John Major, the Prime Minister of the United Kingdom. At this meeting we shared with him our perceptions of the business climate in Pakistan.

The interaction with each government continued throughout the year. In January, 1997 we sent in early proposals for the 1997 / 1998 budget. We also submitted very detailed proposals to the Deregulation Commission towards end January, 1997 identifying those controls which impede the performance of the private sector.

In March before the Economic Revival Package was announced the Chamber had a meeting with Mr. Sartaj Aziz the Federal Finance Minister and shared with him our thoughts as what needed to be done. I am pleased to state that many of our suggestions have been accepted by the present government.

I would like to put on record my appreciation for the time given and the hard work done by all those Members who participated in the various Standing Sub Committee Meetings and represented the Chamber at the many external forums. The support provided to me by my colleagues on the Managing Committee has been invariable and a great source of strength as has been the able support of the Secretary General throughout the year.

Mr. Ben Stevens, Mr. Martin Sulger and Mr. Aijaz Khan were co-opted on the Managing Committee during the year, and I wish to acknowledge their contributions also.

As most of you are aware, Mr. Naseem Ahmad the Vice President of the Chamber will succeed me as the new President. He has been a tower of strength to me. The Chamber will benefit from his wide experience and leadership qualities. I am confident that the incoming Managing Committee will further enhance the prestige of the Chamber.

As I step down from the Managing Committee, I would like you to know how much I have enjoyed serving the Chamber and supporting the cause of the foreign business community in Pakistan. I wish the new President, Mr. Naseem Ahmad every success as he starts his presidency. He can rely on my full support as he takes over the management of the Chamber.

T. V. HIGGINS .

REPORT OF THE COMMITTEE FOR THE YEAR 1996

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➢ MANAGING COMMITTEE

On 136th Annual General Meeting of the Chamber, held on 27th June 1996, elected following members were elected to the Managing Committee for 1996-97.

PRESIDENT **MR. T. V. HIGGINS**

VICE PRESIDENT **MR. S. NASEEM AHMAD**

MEMBERS OF THE MANAGING COMMITTEE

1. **Moin M. Fudda**
   Commercial union Assurance Co. Plc
2. **Dr. M. S. Habib**
   Wellcome Pakistan limited
   & Glaxo Labs. (Pak) Ltd.
3. **M. Younas Khan**
   Deutche Bank A. G.
4. **Michael U. Kleinhenz**
   Hoechst Pakistan Limited
5. **Kamran Y. Mirza**
   Abbott Laboratories (Pakistan) Ltd.
6. **Syed Sajjad Razvi**
   Citibank N. A.
7. **I. S. Sangster**
   Lever Brothers Pakistan Ltd.
8. **D. M. Woodroffe**
   The Hub Power Company Ltd.

CO-OPTEE MEMBERS:

9. **M. Sulger**
   Siemens Pak. Engineering Co. Ltd.
10. **J. P. Stevens**
    Pakistan Tobacco Co. Ltd.

- *CHANGES IN THE MANAGING COMMITTEE*

Due to his relocation abroad, Mr., J. B. Stevens of Pakistan Tobacco Company Ltd. resigned from the Managing Committee in March 1997.

- SIGNIFICANT ACTIVITIES OF THE MANAGING COMMITTEE

- SEMINAR AT BHURBAN

"CREATING A FUTURE TOGETHER"

Recognizing the need to develop and strengthen the partnership between the Government & Private sector, in order that the two together can increase the pace of socio-economic development in Pakistan, the OICC&I organized a three days seminar at Pearl Inter-Continental Hotel, Bhurban.

The following participated :

- Senior Executive representing Trade & Industry	22
- Officials of the Ministry of Finance, members of CBR, Corporate Law & Monopoly Control Authorities	9
	31

Professors Dr. Carol Courselle Webber and Dr. Jack Weber, of the Graduate School of Business Administration, University of Verginia, USA conducted the Workshop on "Creating A Future Together", between 5th to 7th of March at Bhurban.

Before the commencement of this Workshop a reception cum dinner was arranged by the Chamber at Marriott Islamabad on 4th March. It was attended by several persons comprising of senior government officials, members of diplomatic corps in Islamabad & business executives. The Minister of States for Finance, Makhdoom Sahabuddin inaugurated the Seminar. Welcoming the honorable Minister, the President Mr. Tariq Ikram focused upon the need for the country to develop a competitive edge over its neighbors and becoming the most attractive location to invest by the year 2000. Leaders of the Private & Public Sectors, working together for three days at Bhurban, aiming to "Create A Future Together" would lead to an in-depth understanding of each others position. A news paper supplement was also sponsored on the occasion covering this event.

- **CHAMBER'S PROPOSAL IN RESPECT OF FEDERAL BUDGET '96-97'**

  - **PRE BUDGET ACTIVITIES:**

    - **SALES TAX REGIME**

      The Chamber vide letter dated 31st March, addressed to Mr. Riaz A. Malik, Member Sales Tax CBR, elucidated the Chamber's view on the Sales Tax issues. Text of the letter can be seen in Appendix-1.

      On the issue of FIXED SALES TAX the Chamber addressed Mr. V. A. Jafarey in its letter dated 4th June 1996. A copy of which can be seen in Appendix-2.

      The President also proposed a list of items of raw material and packing material on which the Chamber recommended enhancement in the rate of Sales Tax at the stage of import. Chamber's letter dated 5th June may be seen in Appendix-3.

    - **PROPOSALS FOR CONSIDERATION IN FEDERAL BUDGET 1996-97**

      Based on the recommendations of the Standing Sub Committee for Taxation, duly approved by the Managing Committee, the Chamber submitted to the Ministry of Finance the Budget proposal of the Chamber for the year 1996-97. They were forwarded under a covering letter of the President dated 15th May 1996. Details of the proposals can be seen in Appendix-4.

    - **MEETING OF ADVISORY COUNCIL MINISTRY OF FINANCE**

      Vice President Mr. T. V. Higgins along with the Secretary General attended this meeting in Islamabad on 9th April, 1996 and advocated the Chamber's proposals.

POST BUDGET ACTIVITIES:

INCOME TAX ON PERQUISITES OF CORPORATE STAFF

After the announcement of the Federal Budget on 13th of June 1996, the President, after consulting other members of the Managing Committee, called a meeting to discuss the proposed Budget in general, and issues related to the Income Tax on perquisites in particular. After the meeting a press release was issued which was covered by all leading papers of the country. Text of the press release is in the Appendix-5.

Besides contacting senior officials of CBR, a letter dated 19th June was issued documenting Chamber's views to Mr. Alvi A. Rahim Chairman CBR. Text of this can be seen in Appendix-6.

On 16th June a meeting of the members of the Chamber was called to discuss the problems relating to I/Tax on perquisites. Minutes of the meeting can be seen in Appendix-7.

After a series of meetings the President, accompanied by Vice President and other members of the Managing Committee, met with Mr. V. A. Jafarey, Mr. Mohibullah Shah, Secretary B.O.I & Chairman & Member Taxes CBR. The Chamber finally submitted revised proposals relating to the taxation of perquisites to Mr. V. A. Jafarey, Ministry of Finance. A copy of revised proposals can be seen in Appendix-8

The President (Mr. T. V. Higgins), on 1st July 1996 addressed the CBR again on taxation of perquisites. Appendix-9.

The Chamber addressed the Engineering Development Board on 19th August, 1996 outlining the measures in the 1996 / 97 fiscal budget which have adversely effected the industrial sector in general and the Engineering sector in particular. Text of this letter can be seen in Appendix-10.

On the 24th September, 1996 the Chamber addressed the Central Board of Revenue on advance tax matters arising out of the fiscal budget 1996 / 97. Text of the letter can be seen in Appendix-11.

- ### ACTIVITIES RELATED TO ENVIRONMENTAL PROTECTION LEGISLATION

Mr. Zaffar A. Khan, led a TASK FORCE which was constituted to study and submit proposals for amendments / additions in the proposed legislation on Environmental Control and the National Environmental Quality Standards. (N.E.Q.S.)

Details of the delebration of the Task Force were communicated to the Members vide Chamber Circular No. 152 dated June 26, 1996, a copy can be seen in Appendix-12.

The Task Force submissions after approval of the Managing Committee were forwarded to the Director General Pakistan Environmental Protection Agency Islamabad. Text of the letter dated June 11, 1996 can be seen in Appendix-13.

The President of the Chamber was nominated on the Pakistan Environmental Protection Council (PEPC). A special committee was formed by the Pakistan Environmental Protection Council (PEPC) with the title of Environment Standards Committee headed by Mr. Shamim Lakha to rationalize the National Environment Quality Standards (NEQS). Chamber participated in these meetings and also those of the Experts Advisory group formed for this purpose.

- **MEETING WITH SPECIAL SECRETARY FINANCE**

The President invited the Special Secretary of Finance to a luncheon meeting in Karachi, alongwith some members of the Managing Committee on 12th September, 1996.

The gist of the discussions were summarized in the Chamber's letter dated 13th October, 1996 the text of which can be seen in Appendix-14.

- **MEETING WITH MINISTER OF INVESTMENT ON 8TH OCTOBER, 1996**

A delegation of the Managing Committee led by President, T. V. Higgins called on the Federal Minister of Investment in Islamabad on 8th October, 1996.

The President wrote to the Minister prior to the meeting on 30th September setting out the agenda of the meeting. Text of this can be seen in Appendix-15.

After the meeting the President wrote to the Federal Minister of Investment on 13th October, 1996 highlighting the discussions. Text of this can be seen in Appendix-16.

- **PRIORITY AREAS OF INVESTMENT**

The Chamber addressed the Board of Investment on 22nd October, 1996 outlining the priority areas on investment. Text of this can be seen in Appendix-17.

- **INSURANCE MATTERS**

The Chamber addressed the Secretary, Ministry of Commerce, Islamabad on issues effecting the insurance industry. Text can be seen in Appendix 18 and 19.

- **MEETING WITH CARETAKER FINANCE MINSITER ON 20TH NOVEMBER, 1996**

  President, T. V. Higgins met Mr. Shahid Javed Burki in Islamabad on 20th November, 1996. Chamber's suggestions on how to enhance the investment environment were documented in a letter on 24th November, 1996 the text of which can be seen in Appendix-20.

- **MEETING WITH SECRETARY FINANCE & CHAIRMAN, CENTRAL BOARD OF REVENUE ON 7TH NOVEMBER, 1996 IN ISLAMABAD**

  Chamber's concerns on the method of taxation were discussed as was the excessive burden of taxation falling on the industrial sector, discouraging manufacturing in Pakistan.

  Chamber wrote to Chairman, CBR on 11th November, text of which can be seen in Appendix-21.

- **OTHER ACTIVITIES OF THE CHAMBER**

  - TAXATION OF DIVIDEND & ROYALTIES UNDER VARIOUS TREATIES

    The Chamber addressed the Commissioner, Income Tax on the above matters. The text of this can be seen in Appendix-22.

  - CHAMBER'S CONCERNS ON LABOUR MATTERS

    The Chamber in its letter of 16th October, 1996 addressed the Federal Minister of Labour outlining its concerns on changes in the labour legislation. Text of this can be seen in Appendix-23.

    The Chamber also addressed the Director of Labour, Government of Sindh on 3rd October, 1996 regarding the weekly holiday. Text can be seen in Appendix-24.

  - TASK FORCE ON TARIFF REFORM

    The Chamber called a meeting of the Members representing Industrial companies along with the Members of the Managing Committee and Chairmen and Co-Chairmen of Standing Sub Committees. The meeting discussed the concepts of "NET TARIFF PROTECTION" essentially required for the support of local industries. Minutes of the Meeting can be seen in Appendix-25.

    As follow-up action, another meeting was called on the subject of Standardizing the format of the proposal for Member companies which was approved on 27th November. This can be seen in Appendix-26.

    Chamber's letter dated 24th November, addressed to Dr. A. R. Kamal, Chief Economist Planning Commission, confirming the discussion held at Islamabad on 20th November on Tariff Reforms can be seen in Appendix-27.

➢ INTERACTION WITH THE GOVERNMENT

- SOME SIGNIFICANT CORRESPONDENCE

Relaxation of Visa Policy for Expatriates in Pakistan.

(i) Letter dated 23rd January 1996 addressed to Mr. Mohammad Khalid Jawed, Director General, Board of Investment , Prime Minister's Secretariat, Islamabad. Text can be seen in Appendix-28.

(ii) Letter dated 20th March 1996 - Following up the aforesaid matter. Appendix-29.

(iii) Letter dated 9th June 1996 - addressed to the Prime Minister of Pakistan, by the President, of the Chamber, on issues related to Work Visa for Expatriates. Details can be seen in Appendix-30.

DIRECTOR OF TRADE ORGANIZATIONS, MINISTRY OF COMMERCE.

In his letter dated 16th January, the Secretary General appraised the Director Trade Organization about the Chamber's views and comments on D.T.O. order NO. 2(1)/94- to 1 dated 3.1.96. Copy of the letter & the said order can be seen in appendix-31.

CHAMBER'S LETTER OF 23RD OCTOBER TO THE GOVERNOR OF SINDH.

On behalf of the Chamber, the Secretary General drew the attention of Governor Sindh, vide his letter dated 23rd October on 'harassment of Senior Executives of a member concern'. Details can be seen in Appendix-32.

CHAMBER'S LETTER TO FEDERAL SECRETARY FINANCE REGARDING PSI COMPANIES

On 18th December, 1996 the Chamber addressed the Federal Secretary Finance on the role of PSI Companies. Text of the letter can be seen in Appendix-33.

CHAMBER'S REPRESENTATION TO SIND MINISTER OF FINANCE ON 23RD DECEMBER, 1996 AND 2ND JANUARY, 1997 REGARDING STAMP DUTY ON LOAN AGREEMENTS

Text of the Chamber's fax dated 23rd December, 1996 can be seen in Appendix 34 and the follow up letter of 2nd January, 1997 in Appendix-35.

CHAMBER'S INITIAL DUBGET PROPOSALS FOR 1997 / 98

Chamber submitted its initial proposals for 1997 / 98 budget on 19th January, 1997. Text can be seen in Appendix-36.

CHAMBER'S SUBMISSION TO THE DEREGULATION COMMISSION

Chamber wrote to the Deregulation Commission on 27th January, 1997 identifying the controls that impede the performance of the private sector. The text of this letter can be seen in Appendix-37 (I) to (xii).

➢ VISITORS TO THE CHAMBER

JANUARY 8, 1996 - IMF REPRESENTATIVE

Mr. Shamsuddin Tariq, Resident Representative of the International Monitory Fund, based at Islamabad, visited the Chamber. The Secretary General discussed issues relating to the Investment Environment, the Industrial Policies and the prospects of growth in the economy particularly the manufacturing sectors.

JANUARY 9, 1996 - MR. KYRIKOS RIALAS - BANK ANALYST

The above gentleman representing Capital Intelligence Ltd. of Cyprus visited the Chamber and discussed issue relating to Banking and Investments, with the Secretary General.

MARCH 10, 1996 - SWISS ECONOMIC DELEGATION IN PAKISTAN

A twenty members Swiss Economic Delegation to Pakistan visited the Chamber and had a very useful discussion with the members of the Managing Committee led by the Vice President at the time, Mr. T. V. Higgins.

The Swiss Delegation raised several questions about Investment Environment in Pakistan. The success stories of the many Investments in Pakistan were discussed with the delegation.

MARCH 14, 1996 - REPRESENTATIVES OF INTERNATIONAL TRADE ADMINISTRATION OF U.S. GOVERNMENT AND PAKISTAN AMERICAN BUSINESS ASSOCIATION

Mr. J. Lee Barnes of United States Department of Commerce Washington D.C. and Mr. Rafael L. Marfin, Executive Director of Pakistan American Business Association in USA, jointly visited the Chamber. They were introduced by the US. Consulate at Karachi. Matters pertaining to enhancing the Business Environment were discussed with the Secretary General.

APRIL 14, 1996 - REPRESENTATIVES OF KODAK (NEAREAST) INC. DUBAI

Mr. Peter Dinhah, Manager Consumer Imaging Products and Marketing Support. Board at Dubai, and Mr. Sohail Uz-Zaman, field Sales Manager Consumer Imaging at Karachi, visited the Chamber and had useful discussion about Investment prospects in Pakistan. Problems of the company were also discussed.

MAY 22, 1996 - DELEGATION OF CONFEDERATION OF INDIAN INDUSTRY - (C11)

A Delegation of the Confederation of Indian Industry (C11) consisting of 4 members, visited the Chamber on May 22nd 1996 to meet members of the Chamber. A summary of the discussions that took place, can be seen in Appendix-38.

JUNE 11, 1996 - CORPORATE SERVICES & CONSULTANTS FROM SINGAPORE

Ms. Carrie Cheong of Carrie Cheong and Associates, a Consultancy & Corporate Services company at Singapore, visited the Chamber on 11th June 1996. Ms. Carrie discussed with the Deputy Secretary and the modalities to establish a branch office in the country.

JULY 4, 1996 - WALKER MARTIN SALEEM

Representative of above firm of Advocates & Legal Consultants, Mr. Karim Agha, visited the Chamber on 4th July and had discussions with the Secretary General about their organization and issues related to legal services they can offer to the members and potential investors.

JULY 23, 1996 - HIGH COMMISSION OF AUSTRALIA

His Excellency Mr. Geoff Allen, High Commissioner for Australia visited the Chamber on 23rd July and discussed issues relating to foreign investment in Pakistan with the Secretary General.

SEPTEMBER 4, 1994 - SPECIAL SECRETARY, MINISTRY OF FINANCE

Mr. Moeen Afzal Special Secretary to the Ministry of Finance Islamabad, visited the Chamber and had a meeting with the members of Banking & Finance Sub Committee on 4th September. Mr. Sajjad Razvi, Chairman Chamber Standing Sub Committee for Banking & Finance presided the meeting.

OCTOBER 10, 1996 – BRITISH EXECUTIVE SERVICE OVERSEAS

Mr. John Burlison of British Executive Service Overseas visited the Chamber on 10th October 96. Mr. T. V. Higgins the President and the Secretary general discussed matters of mutual interest.

OCTOBER 15, 1996 – EXPORT-IMPORT BANK OF JAPAN

- Mr. Haruya Koide	-	Senior Economist
- Luiz Awazu Pereira Desilva	-	Senior Economist
- Mr. Yutaka Kimura	-	Assistant Director

Above gentlemen representing the Export – Import Bank of Japan visited the Chamber on 15th October and had useful discussion with the Secretary General on matters of mutual interest.

OCTOBER 18, 1996 – AP-DOW JONES NEWS SERVICE

Mr. Timothy Mapes Bureau Chief of above news service, paid a visit to the Chamber on 16th October and discussed business and investment environment in Pakistan with the Secretary General.

NOVEMBER 12, 1996 – SGS PAKISTAN (PVT) LTD.

On invitation from Mr. J. Rijiken, Managing Director of SGS Pakistan (Pvt) Ltd. the Secretary General paid a visit to his liaison office at Karachi and exchanged views related to pre inspection matters in Pakistan.

NOVEMBER 19, 1996 – NICHIMEN CORPORATION

Mr. Yasuhiro Hayashi and Mr. Yoshikazu Hosoi Senior General manager and Deputy Chief Executive respectively of Nichimen Corporation, Tokyo visited the Chamber and discussed matters relating to business and investment opportunities in Pakistan, with the President and Secretary General.

NOVEMBER 19, 1996 – HIGH COMMISSION OF CANADA

High Commissioner H. E. Madam Marie – Andrree Beachemin along with the First Secretary Ms. Terry L. Brophy visited the Chamber on November 19, to discuss issues relating to investment in Pakistan with the President, Mr. T. V. Higgins and the Secretary General.

NOVEMBER 26, 1996 – ECONOMIC COUNSELOR OF FEDERAL REPUBLIC OF GERMANY

Dr. (Mrs) Anne – Marie Schleich, Economic Counselor of the Federal Republic of Germany, Islamabad, accompanied with Dr. Axel Weishaupt, Consulate General of Federal Republic Germany at Karachi, visited the Chamber on November 26th. In the absence of the President the Secretary General received the visitors and discussed issues related to investments and business opportunities in Pakistan.

NOVEMBER 28, 1996 – CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

Dr. Charles A. Jeannert of Canadian International Development Agency, Ottawa, Canada, along with Mr. Imtiaz Khalid of MAS Associates (Pvt) Ltd., Islamabad, visited the Chamber on 28th November to discuss aspects relating to Financial Assistance and providing technical know how to private sectors, and other related issues with the Secretary General.

DECEMBER 1, 1996 – MR. BART O. PRINS

The above gentleman, representing Medifarma Laboratories Inc. of Jakarta, along with Mr. Ben S. Talan Vice president of United laboratories at Manila, discussed issues related to business expansion and investment in Pakistan with the Secretary General in course of their visit to the Chamber on 1st December, 96.

DECEMBER 1, 1996 – OVERSEAS FISHERY COOPERATION FOUNDATION OF JAPAN (OFCF)

Mr. Junzo Ohmori, Advisor Joint Venture Promotion Group and Mr. Hideyuki Komiya, Fisheries Technical expert of OFCF visited the Chamber on 1st December and in the absence of Secretary General they explained to the Deputy Secretary their program of extending support to fishery Industries comprising of technical, financial and marketing aspects of the business.

➢ CHAMBER REPRESENTATION ON VARIOUS BODIES FOR THE YEAR 1996-97

- **Representation on Miscellaneous Bodies**

The Managing Committee, in its meeting held on 20th August finalized the representation of the Chamber on Government, semi Government, autonomous bodies and on Managing and various Sub Committees of the FPCCI for the year 1996-97. Detailed list can be seen in Appendix-39.

- **Representation on KPT Board of Trustees**

Mr. S. Naseem Ahmed, Vice President of the Chamber was nominated by the managing committee to represent the Chamber on the Board of Trustees of Karachi Port Trust with effect from 1st of June 1996, for a period of two years.

- **Sub Group of Industries 9th Five Year Plan**

The Managing Committee nominated Mr. Kamran Y. Mirza as member to represent in the WORKING OF INDUSTRIES OF SINDH REGIONAL PLAN ORGANIZATION.

- **Standing Advisory Council of CBR**

On invitation for CBR to attend the first meeting of the Standing Advisory Council of CBR, held on 12th September, the Chairman Standing Sub Committee on Taxation, Mr. Fuad Hashmi was nominated by the Committee to attend the meeting on behalf of the Chamber.

➢ PARTICIPATION & ACTIVITIES OF CHAMBER STANDING SUB COMMITTEES

• CHAMBER STANDING SUB COMMITTEE FOR 1996-97

The Managing Committee nominated following members to Chair the Standing Sub Committee for 1996-97:

Sub committee		**Chairman**
Banking & Finance	-	Mr. Sajjad Razvi
Commercial Matters	-	Mr. I. S. Sangster
Corporate Law	-	Dr. M. S. Habib
Insurance	-	Mr. Moin Fudda
Industrial Policy	-	Mr. Kamran Y. Mirza
Labour	-	Mr. M. Younas Khan
Port Trust & Communication	-	Mr. M. Moonis
Taxation	-	Mr. F. A. Hashimi

Above Chairman subsequently selected Co-Chairman and Members of their respective Committees. Constitution of the Committees can be seen in Appendix-40.

- **Review of the Activities of the Chamber Standing Sub Committees**

A meeting of the Chairman and Co-Chairman of all Sub Committees was held on 1st April, 1996 for general review and discussion on the Chambers Budget Proposals and trade Policy relating to the years 1996-97. Minutes of the meeting can be seen in Appendix-41.

- **Formation of a new Standing Sub Committee on the matters related to ENVIRONMENT**

The Managing Committee held on 1st July, 1996 resolved that a new Standing Sub Committee be formed for Environmental affairs. The Managing Committee appointed Mr. D. M. Woodroffe to be the Chairman and Mr. Zaffar A. Khan the Co-Chairman of the new Committee. Consequently, matters related to ENVIRONMENT, which up to this point were a part of INDUSTRIAL Sub Committee activities, would be dealt with separately.

- **Re-organizing Activities of the Standing Sub Committees**

In order to avoid duplication of activities of the different Sub Committees, a joint meeting of three Standing Sub Committees (namely COMMERCIAL MATTERS INDUSTRIAL POLICY and TAXATION) was held on 12th November, 1996 to identify overlapping areas of the activities of each committee and take steps to rationalize them. It was resolved that the Chamber Standing Sub Committee on

COMMERCIAL MATTERS & INDUSTRIAL POLICY be merged together under the Chairmanship of Mr. Ian Sangster while Mr. Kamran Y. Mirza to be the Co-chairman. Minutes of the meeting can be seen in Appendix-42.

Activities of the Chamber's Standing Sub Committees

- ADMINISTRATION

The Committee held its meetings on 28th January, 1996 and deliberated as follows:

(a) **Regarding installation of new air conditioning plant in Chamber building**

After due consideration the Committee accepted the recommendations of the air-conditioning consultants i.e. Fahim Nanji and Desouza Consulting Engineers (FND). The Secretary General was authorized to go ahead and to place the order for the supply of equipment and its installation at a total cost of Rs. 6.556 Million.

(b) **Review of the proposed Workshop at Bhurban**

The cost of program, fees from participants, appointing of advertising agent for news paper supplements, and other related matters were discussed and approved. Details can be seen in Appendix-43.

(c) Another meeting of the Sub Committee was held on 10th October 1996. Minutes of the meeting can be seen in Appendix-44.

- BANKING & FINANCE

- During the year the Sub Committee of Banking & Finance held meetings on 8th January, 9th April, 6th August, 17th November and on 21st November. Minutes of the meeting can be seen in Appendices 45, 46, 47, 48, 49 respectively.

Mr. Azhar Hamid, Chairman of the Banking committee addressed the following matters to SBP and the CBR through several letters, listed below.

1. **Rationalization of Services charges by foreign banks/return on deposits**

The Chairman, in his letter dated January 21, 96 addressed the State Bank of Pakistan, Banking policy & regulations department.

2. **<u>Pledge of Book Based Securities – Central depository System</u>**

   Chairman addressed the Chief Executive of Central Depository Company Pakistan Ltd., vide his letter of 24th January 1996 and highlighted Chamber's views in this respect.

3. **<u>Capital Adequacy Requirement under Risk Weighted method</u>**

   The Chairman summarized the Chamber's views in his letter dated 24th January addressed to the Director Banking Policy and Regulation Department State Bank of Pakistan.

4. **<u>Proposal for foreign banks to attract Foreign Exchange Deposits</u>**

   On State Bank's request the Chairman briefed the Deputy Governor of State Bank, about the Chamber's views on the above subject through his letter dated February 14, 1996.

5. **<u>Deposit Insurance scheme</u>**

   On request from State bank the Chairman, on behalf of the Members of the Committee, wrote to Mr. Abdul Aziz of Banking Policy & Regulation Department of State Bank vide his letter dated 6th June expressing the Chamber's views on the subject.

6. **<u>Change of Accounting year of Banks</u>**

   Through his letter dated 24th January and 9th of April the Chairman advised the Director, Banking Policy and Regulation Department SBP, about the Chamber's views on the repercussions on the activities of Foreign Banks, due to change in financial year.

- Another meeting of members of the sub Committee was held on 7th November in Chamber premises, with a delegation of three members of **World Bank**. Outcome of the meeting can be seen in Appendix-50.

- A group of members of the Committee had a meeting with the **Governor of State Bank of Pakistan** on 28th December to discuss and appraise the Governor with the problem Foreign Banks in Pakistan are encountering. Minutes of the meeting can be seen in Appendix-51.

- <u>COMMERCIAL MATTERS</u>

The Sub-committee held its meeting on 8th January, 6th February and on 22nd October. Minutes of the meeting can be seen in Appendices 52, 53 & 54 respectively.

During the period the Sub-committee undertook following matters as well.

- **<u>Proposals for Advisory Council of the Ministry of Commerce.</u>**

After receiving various suggestions from the members, the Chamber finally submitted its proposals relating to the Trade Policy of the Federal Government for 1996-97. A copy of proposals can be seen in the Appendix-55.

- **CORPORATE LAW**

The Sub-committee on Corporate Law held its meetings on February 18th and on 7th October 1996. Minutes of the meeting can be seen in Appendix-56 & 57.

- **ENVIRONMENT**

The newly formed Sub-committee had its deliberations on August 25th and November 26th, 1996. Minutes of the meeting can be seen in Appendices-58 & 59.

- **INSURANCE**

Minutes of the meeting of INSURANCE Sub Committee held on 30th September can be seen in Appendix-60.

- **INDUSTRIAL POLICY**

The Sub-committee meeting before it was merged was held on 3rd October. Minutes of the meeting can be seen in Appendix-61.

- **LABOUR**

The Labour Sub Committee held its meeting on 6th October, 1996. Minutes of the meeting is in Appendix-62.

- **PORT TRUST & COMMUNICATIONS**

The Sub-committee's meeting was held on 17th September. Minutes of the meeting can be seen in Appendix-63.

- **TAXATION**

The Taxation Sub Committee held following meetings. Minutes of the meetings can be seen in Appendices listed below.

-	7th January meeting	Appendix-64
-	25th August meeting	Appendix-65
-	16th September meeting	Appendix-66
-	11th November meeting	Appendix-67
-	3rd December meeting	Appendix-68

➢ ADMINISTRATIVE & OTHER MATTERS

- **ANNUAL GENERAL MEETING**

The Chamber's 136th Annual General meeting was held on 27th June, 1996 in the Chamber's premises. The meeting was attended in person by sixty-one members while there were thirty proxies received from members.

Minutes of the meeting have already been circulated and appear in pages (vii) to (xii). The Vice President chaired the meeting in the absence of the President. Prior to the commencement of the meeting the Vice President, Mr. T. V Higgins addressed the audience and explained the efforts of the past President, Mr. Tariq Ikram in resolving the Taxation on perquisites issue satisfactorily.

- **EXTRA ORDINARY GENERAL MEETING**

An Extra Ordinary General Meeting was held in Chamber premises on 20th March, 1997 to consider changes in the existing Proviso to Article 14. Minutes of the meeting are appearing on page (xiii) to (xv).

- **INFLATION / COST OF LIVING SURVEY**

Ferguson Associates were assigned to conduct a survey on behalf of the Overseas Investors Chamber of Commerce and Industry to determine the trend of prevailing prices of various consumer items and assess their impact on households belonging to various income groups based on their respective expenditure pattern. This report, documents the findings of the survey carried out in Karachi during November 1996, and was made available to those members who subscribed for it.

- **MEASUREMENT DEPARTMENT ACTIVITIES**

In the year 1996 the Measurement Department earned a revenue of Rs. 1.042,000, compared to 1995 revenue of Rs. 938,000
Revenue of the earlier years were:

		Rs.
1989	–	355,000/-
1990	–	327,000/-
1991	–	727,000/-
1992	–	967,000/-
1993	–	958,000/-
1994	–	993,000/-

Plans for further enhancement in the activities for 1997 are in hand and the Chamber expects further improvements.

- **KARACHI CHAMBER HOSPITAL ASSOCIATION**

The Hospital Association's affairs are conducted by a Managing Committee of the Association, elected annually. The Chairman of the Association is nominated by the Chamber's Managing Committee. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated as the Chairman of the Association for 1996. The Deputy Secretary of the Chamber acts as Secretary of the Association. The Secretarial services are provided by the Chamber. This Association held its Annual General Meeting on 30th June, 1996.

- **REMEMBRANCE DAY – 1996**

Secretary General of the Chamber attended the ceremony on Sunday 10th November, 1996 and a wreath was laid on behalf of the Overseas Investors Chamber of Commerce & Industry at the Karachi War Cemetery.

- **BUSINESS TRAVEL - FOREIGN EXCHANGE & VISAS**

The Chamber during the year continued to endorse Certificates attached to T-2 Forms of the State Bank of Pakistan for the representatives of Member companies who travelled abroad on business. Under the De-regulation policy of the Government, the need for exercising control on travel needs to be reconsidered by the Government. Eighty Three members availed this facility during the year.

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

TELEPHONES : 2410814 / 2410815
FAX NO : 242 73 15
TELEGRAMS : "OVERCHAM"

CHAMBER OF COMMERCE BUILDING
TALPUR ROAD, P. O. BOX NO. 4833
KARACHI - 74000, PAKISTAN

29th April, 1997.

COMMITTEE REPORT ON THE ACCOUNTS FOR 1996

The audited accounts of the Chamber for the year ended 31st December, 1996 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting Rs. 5,924,485/- as compared to Rs. 3,042,970/- for last year. After providing for Income Tax for the year amounting to Rs. 650,000/- this surplus is reduced to Rs. 5,274,485/-.

The income of the Chamber increased by Rs. 3,811,310/- compared to previous year. This was mainly due to increase in the income from exchange gain, membership subscription and increased rent realised from the office building.

The expenditure for the year compared to last year increased by Rs. 929,795/-. The major increases have been in Electricity and Gas, Printing and Stationary charges. There are also increases in personnel cost.

Like previous year the accounts relating to the activities of the Bureau of Information & Statistics, Pharma Group, have not been consolidated in the Chamber's accounts for 1996.

TH[illegible]GGINS	**ZAHID ZAHEER**	
PRESIDENT	**SECRETARY GENERAL**	**MEMBER**

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT:
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING 1-C
OFF I. I. CHUNDRIGAR ROAD
P. O. BOX 4716
KARACHI 74000
PAKISTAN

Telephone : (021) 242 6682 - 6
(021) 242 6711 - 5
Fax : (021) 241 5007 Audit
(021) 242 7938 Tax
Telex : 21155 AFFCO

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 1996 and the related income and expenditure account together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and income and expenditure account together with notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 1996 and of the surplus for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

BALANCE SHEET AS AT DECEMBER 31, 1996

	Note	1996 Rupees	1995 Rupees
SURPLUS ACCOUNT			
Balance at January 1		8,648,940	5,991,538
Surplus for the year		5,274,485	2,657,402
		13,923,425	8,648,940
SURPLUS ON REVALUATION OF FIXED ASSETS	3	1,169,659	1,169,659
DEFERRED INCOME	1(c)&2	50,240	62,800
DEFERRED LIABILITY			
Provision for staff gratuity		1,294,885	1,083,741
CURRENT LIABILITIES			
Creditors		319,887	435,873
Accrued liabilities		2,374,104	2,609,032
Provision for taxation		2,123,607	1,823,631
Subscription received in advance		1,678,050	1,442,718
Rentals received in advance		1,166,077	2,270,980
Other liabilities		346,435	360,904
		8,008,160	8,943,138
		24,446,369	19,908,278

	Note	1996 Rupees	1995 Rupees
FIXED ASSETS	3	2,770,152	2,906,378
CAPITAL WORK-IN-PROGRESS		3,933,391	-
INVESTMENTS - at cost	4	2,000,000	4,100,000
LONG-TERM DEPOSITS		96,145	96,145
CURRENT ASSETS			
Spare parts and stationery - at cost		385,398	217,702
Sundry debtors - considered good		337,919	209,104
Accrued return		1,044,730	692,573
Short-term prepayments and other receivables		584,773	127,992
Cash and bank balances	5	13,293,861	11,558,384
		15,646,681	12,805,755
		24,446,369	19,908,278

The annexed notes form an integral part of these accounts.

President Secretary General Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1996

	Note	1996 Rupees	1995 Rupees
INCOME			
Membership subscriptions and entrance fee		3,628,802	2,949,332
Fees for measurement, etc.		1,042,051	938,479
Secretarial fees		60,000	45,000
Commission on sale of publications		4,752	3,096
Building Fund Contributions		356,419	290,911
Surplus on compilation of cost of living index		98,000	8,000
Rent		2,140,165	1,778,302
Airconditioning charges		2,969,538	2,467,446
Return on investments		1,138,808	1,173,856
Deferred income	2	12,560	12,560
Exchange gain		2,309,708	313,448
Other income		115,992	85,055
		13,876,795	10,065,485
EXPENDITURE			
Salaries and allowances		3,458,490	2,737,080
Contributions to provident fund		164,420	143,897
Contributions to Employees' Old Age Benefits Institution		33,336	54,373
Medical expenses		192,139	172,794
Provision for staff gratuity		300,266	197,638
Cost of staff uniforms		30,900	31,040
Entertainment expenses		110,905	119,763
Insurance [net of recoveries Rs 10,137;(1995: Rs 15,205)]		190,908	179,448
Electricity and gas [net of recoveries Rs 35,475 (1995: Rs 35,970)]		716,135	599,900
Municipal taxes and ground rent [net of recoveries Rs 42,478 (1995: Rs 32,241)]		48,611	39,071
Repairs to building, furniture, equipment and airconditioning plant		259,326	516,115
Postage, telegrams and telephone		390,145	328,653
Printing and stationery		492,785	342,326
Books and periodicals		94,919	92,085
Subscriptions		23,500	55,500
Travelling expenses		191,911	179,120
General expenses [net of recoveries Rs 27,645 (1995: Rs 42,000)		431,856	261,958
Motor car maintenance		117,628	98,310
Depreciation		136,228	144,141
Bad debts		26,601	3,113
Legal and professional charges		67,125	254,675
Auditors' remuneration	6	45,030	22,760
Golf Club competition		-	62,004
Lease Rentals [net of recoveries Rs 317,744; (1995:317,744)]		372,446	370,239
Generator running expense		56,700	16,512
		7,952,310	7,022,515
SURPLUS BEFORE TAX FOR THE YEAR		5,924,485	3,042,970
Taxation - current		650,000	1,000,000
- prior year		-	(614,432)
		650,000	385,568
SURPLUS AFTER TAXATION FOR THE YEAR		5,274,485	2,657,402

The annexed notes form an integral part of these accounts.

President Secretary Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall Valuation Policy

These accounts have been prepared under the historical cost convention except that leasehold land shown under fixed assets has been included at revaluation referred to in notes 1(c) and 3 below.

(b) Staff Gratuity

The Chamber operates an approved unfunded gratuity scheme, covering all employees whose period of service with the Chamber is five years or more and provision is made anually to cover its obligation under the scheme.

(C) Fixed Assets

These are stated at cost less accumulated depreciation except leasehold land which includes a surplus on revaluation carried out on December 31, 1968.

Depreciation on all assets except leasehold land, is charged to income applying the reducing balance method. Cost of leasehold land is depreciated over the lease period using the straight line method. Full year's depreciation is charged on additions during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred; gains and losses on disposal of fixed assets are included in income currently.

Assets donated are capitalized at market value and corresponding credit is recognised as deferred income. Deferred income is credited to Income and Expenditure Account over a period of useful life of these assets.

(d) Spare Parts and Stationery

These are valued at cost using the first-in-first-out method.

(e) Revenue Recognition

Income from investments is accounted for on an accrual basis.

2. DEFERRED INCOME

	1996 Rupees	1995 Rupees
Balance as at January 1	62,800	75,360
Less: Credited to Income and Expenditure Account	12,560	12,560
	50,240	62,800

3. FIXED ASSETS

	Cost or valuation at January 1, 1996	Additions/ (disposals)	Cost or valuation at December 31, 1996	Accumulated depreciation	Net book value as at December 31, 1996	Annual rate of depreciation %	Depreciation charged during the year
Leasehold land	2,406,909	-	2,406,909	965,055	1,441,854	-	24,745
Building	457,958	-	457,958	197,295	260,663	2	5,293
Airconditioning plant	1,032,884	-	1,032,884	621,054	411,830	7.5	32,715
Electrical installations	355,272	-	355,272	243,933	111,339	7.5	8,845
Office furniture, fittings & equipments	1,137,032	-	1,137,032	592,566	544,466	5&15	64,630
Rupees	5,390,055	-	5,390,055	2,619,903	2,770,152		136,228
1995 Rupees	5,328,555	61,500	5,390,055	2,483,677	2,906,378		144,141

A revaluation of land and Chamber's Building was carried out on December 31, 1968 and the revaluation surplus of Rs 1,169,659 was determined as follows:

Cost to December 31, 1968		733,322
Accumulated depreciation to December 31, 1968		278,444
Net book value at December 31, 1968		454,878
Revaluation		1,624,537
Revaluation surplus	Rupees	1,169,659

4. INVESTMENTS - at cost

	1996 Rupees	1995 Rupees
Federal investment bonds	-	2,100,000
Defence saving certificates	2,000,000	2,000,000
	2,000,000	4,100,000

5. CASH AND BANK BALANCES

With banks		
on current accounts	660,125	1,416,816
on deposit account	-	305,145
on foreign currency savings account	3,552,181	2,898,780
on foreign currency deposit account	9,075,915	6,920,322
Cash in hand	5,640	17,321
	13,293,861	11,558,384

6. AUDITORS' REMUNERATION

Audit fee	20,000	20,000
Audit of accounts for filing income tax return	20,000	-
Central Excise Duty	4,094	2,069
Out of pocket expenses	936	691
	45,030	22,760

President   Secretary General   Member

APPENDICES INDEX

MANAGING COMMITTEE'S ACTIVITIES

APPENDICES *(Continuation)*

APPENDICES *(Continuation)*

APPENDICES *(Continuation)*

STANDING SUB COMMITTEE ACTIVITIES

APPENDICES *(Continuation)*

FAX NO. 051-9207470

31st March, 1996.

Mr. Riaz A. Malik,
Member Sales Tax,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

We gather the Government of Pakistan is considering the proposal to extend Sales Tax coverage in the forth coming budget and to withdraw Sale Tax exemptions, including the fixed Sales Tax scheme.

We have always supported the extension of Sales Tax to all and sundry, as we firmly believe that by extending the coverage of Sales Tax and enlarging the net, the general rate of Sales Tax can be brought down in the Country. We put forward the following for your consideration.

1. All exports should be zero rated, and all levies at import stage, or manufacturing stage or octroi, etc., must be refunded without timing delays. We recognized that export rebates are the mechanism for doing this, and if the export rebates are going to be withdrawn, then there should be no levies on production for export.

2. We strongly recommend that even playing fields must be created throughout Pakistan, and Sales Tax exemption must be withdrawn from special areas or zones, where they have been made available.

   If incentives are to be given to developing areas, these should take the form of infrastructure development, exemption from provincial levies and financial support for Human recourse development. Any corporate Tax relief should be time bound and limited with documentation of the economy. Low cost of land and outright grant for factory building in itself can be significant incentive to attract investment in under developed areas.

3. To widen the tax base, incentives should be offered to the collecting agencies, especially when they increase the number of assesses. The collection incentives should not be based on increase Tax collection from existing assesses, as this can lead to extortion and harassment.

4. We support the full documentation of the economy and this should be pursued with vigor and political courage and commitment. The lack of documentation argument must not be allowed to prevail in support of not imposing a general Sales Tax.

   Incentives should be provided for documentation of the economy. In this *connection money spent on training and public awareness will be justified.*

The continuation and enhancement of presumptive taxes like withholding Tax, do not serve the purpose of documenting the economy, in fact these Taxes discourage documentation.

5. The fixed Sales Tax is another example of a presumptive tax which discourages the documentation of the economy. It also act as an impediment to extending a general Sales Tax, as the fixed Sales Tax paid by vendor is not available to the manufacturers for input tax adjustment. This result in the increase in the selling price to the consumer.

   We therefore suggest that fixed Sales tax be discontinued, and should be sparingly used.

6. Exemption of Sales Tax on cottage industry is a potential loss of revenue to the Government and apart from Tax evasion result in trade mark infringement.

   If this exemption is to be retained the threshold limit for cottage industry needs to be revised upwards from the present level of Rs. 2 Lacs.

   We would suggest a sliding scale of incentives of progressively reducing levels of Sales tax, instead of total exemption of Sales Tax.

7. We feel that there should be no sacred cows when the application of Sales Tax is concerned.

   The textile industry must be brought into the net. The argument that this will effect the exports of this Country is fallacious. Export have always been and should be zero rated.

   Most of the textile industry is in the organized sector, except the weaving, where the unorganized sector may be large. To conclude that the unorganized weaving sector will not pay sales Tax should not be accepted as a reason for not imposing Sales Tax on the textile sector.

   On the contrary by imposing the Sales Tax on all segments of the textile industry, ginning, spinning, weaving and finish processing will encourage and compel the weavers in the unorganized sector to document their sales, and will eventually result in enlarging the tax net.

8. While we support the principle of application of sales tax to all products, we feel that is need for recognition that items of luxury consumption be taxed at a high rate and essential product like capital goods and medicines, etc., be taxed at lower rate. Food item may continued to be zero rated.

We trust you will find these comments of some value.

Yours truly,

TARIQ IKRAM
PRESIDENT

By Fax. 213780
Total Pages. 2

June 4, 1996

Circular No. 130
REF: 13-1

Mr. V. A. Jafarey
Advisor to Prime Minister
Finance & Economic Affairs
Ministry of Finance
Islamabad

Dear Mr. Jafarey,

GENERAL SALES TAX/FIXED SALES TAX

Currently the debate is raging in the press between the need and otherwise of continuation of the fixed Sales Tax. In the opinion of OICC&I, Fixed Sales tax must not remain but I also feel that the Government may be able to do with out it right now and will need to progressively move towards the removal.

Should this be so, I would like to draw your attention to a significant factor which effect the Sales tax paying industry. Purchase made by Sales tax paying industries, from those paying a fixed Sales tax, suffer the enability to adjust any input tax. This is not only grossly unfair the context of value added taxation but definitely discourages the documentation of economy, so vital to recourse mobilization.

I would propose on behalf of Overseas Investors Chamber of Commerce & Industry that all fixed sales taxpaying business be required to show on the invoice of their goods a presumptive level of 15% sales tax included in their price. The benefit of this is obvious, but let me reiterate:

1. The sales tax paying industry will be able to adjust the element of presumptive sales tax shown on invoice.
2. This will encourage documentation since the sales tax paying industry will ask for a proper invoice from the FST paying suppliers.
3. FST paying industry will have its demand met for extending the FST.
4. Government's revenue will not suffer and these industries will progressively move towards advalorem of sales tax. I assume that FST level will be increased by 12-15% over last year.

I hope this proposal will be considered favorably since it helps the Government, the FST paying sectors and the advalorem paying industries.

Regards,

[TARIQ IKRAM]
PRESIDENT

5TH June, 1996.

Mr. Riaz Ahmed Malik,
Member (Sales Tax),
Sales Tax Wing.
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD

Dear Mr. Malik,

Reference to the discussions held by our President, Mr. Tariq Ikram with your goodself lately on how to minimize the impact of unrecognized sector who evade Sales Tax resulting in an uneven playing field for the organized sector.

We have pleasure to forward herewith a list of all those raw materials and packing material where our members would like Sales Tax would be enhanced at the import / local procurement stage.

The list has been compiled in following order :

- Name of the finished product
- Current percentage of Sales Tax on finished product
- Excise Duty on finished product
- Raw and packing material which would be the part of finished product with respective rate of Sales Tax and Excise duty being currently paid.
- Percentage of the enhanced Sales Tax level as suggested.

Thanking you and with best regards.

Yours truly

MOHAMMAD ASLAM
DEPUTY SECRETARY

Attachments :

OVER SEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY
LIST OF RAW AND PACKING MATERIAL WHERE NUMBERS OF OICC&I WOULD LIKE
SALES TAX TO BE ENHANCED AT THE IMPORT / LOCAL PROCUREMENT STAGE

FINISHED PRODUCTS	CURRENT % OF SALES TAX	EXCISE DUTY	RAW AND PACKING MATERIAL	CURRENT % OF SALES TAX	ENHANCED SALES TAX LEVEL	
1	2	3	4	5	6	
Paints and varnishes	15%	10%	N. Butanol	15%	20%	
			Ethyl Glycol	"	"	
			Ethyl Glycol Acetate	"	"	
			Nitrocellulose	"	"	
			Xylene	"	"	
			Toulene	"	"	
			Methyl Ethyl Acetone	"	"	
			Acetone	"	"	
			Doacetone Alcohal	"	"	
			Isoprone	"	"	
			Iso Butanol	"	"	
			Methyl Isobutyl Ketone	"	"	
			White Sprit (Solvent 3040)	"	"	
Oxygen, Nitrogen, Argon etc.	15%	-	Caustic Soda	15%	20%	Local
Dissolved Acetylene	15%	-	Calcium Carbide	15%	20%	Imported
			Acetone	15%	20%	"
Welding Electrodes	15%	-	Mild Steel Wire	15%	20%	"
			-do-	Fixed Rs.550/-	M/Tonne	local
			Stainless Steel wire	15%	20%	Imported
			Monel Wire	15%	20%	"
			Bronze Wire	15%	20%	"
			Blends	15%	20%	"
			Rutile Sand	15%	20%	"
			Ilmenite Sand	15%	20%	"
			Potassium Silicate	15%	20%	"
			Liquid Silicate	15%	20%	Local
			Packing Material	15%	20%	local
Finished Product lubes	15%	@ Rs. 8.15 per litter	Cartons	15%	20%	
			Containers of Tin Plates	15%	20%	
Filter rods for Cigarettes	15%	50%	Man Made Textile Fibre Cellulose Acetate Tow	15%	20%	Imported
			Chemical (Triacetin)	15%	20%	"
			Cigarette Paper	15%	20%	"
Double Edge Blades	15%	-	Stainless Steel	15%	20%	"
			Ratak HF 18 Oil	15%	20%	"
			DS55 Passivation	15%	20%	"
			Gotham Printing Ink	15%	20%	"
			83 Thinner	15%	20%	"
			03D Oil	15%	20%	"
			Metasil	15%	20%	"
			Target Rod	15%	20%	"
			Vydax MS3569	15%	20%	"
			03E Rust Inhibitor	15%	20%	"
			Wrapper Glue	15%	20%	"
			Petroleum Jelly	15%	20%	"
			Waxed Paper	15%	20%	"
			Hot Melt Glue	15%	20%	"
			Cellulose Film	15%	20%	"
			Wrapper Paper	15%	20%	"
			Wrapper Printing Inks	15%	20%	"
			Ethyl Acetate	15%	20%	"

1	2	3	4	5		6
Cartridges GII 5's	15%	-	Cartridges GII 5's in bulk	15%	20%	
Cartridges Contour 5's	15%	-	Cartridges Contour 5'S in bluk	15%	20%	
Disposable Razor Blue II	15%	-	Handles	15%	20%	
			Cartridges	15%	20%	
Disposable Razor Clock II	15%	-	Handles	15%	20%	
Clock Platinum Razor	15%	-	Razor in Bulk	15%	20%	
Countour RAzor	15%	-	Handles/Brass Top Plate/Fingers/ Button Assembly & Cartridges	15%	20%	
Toilet Soaps	15%	10%	Tallow	15%	20%	
			Palm Kernel Oil	15%	20%	
			Perfume	15%	20%	
			Cuastic Soda	15%	20%	
			Wrappers	15%	20%	
Laundry Soaps	-	-	Laundry Soaps	-	20%	Finished
Detergent Bar (Raw)	15%	5%	Sulphonic Acid	15%	20%	Product
(Vim)	15%	10%	Perfume/Wrappers	15%	20%	
Detergent Powder (Surf/Sunlight)	15%	10%	STPP	15%	20%	
Shampoo	15%	10%	Perfume	15%	20%	
Skin Cream	15%	10%	Perfume	15%	20%	
Banaspati/Cooking Oils	-	-	Palm Oil, PalmOlein, Soyabean Oil, Sunflower, Cotton Sead Oil & Tin Plate	Levy S/Tax @15% and reduce import duty by the same amount finished goods.		
Tea	-	-	Original Tea & Carton	Levy 15%S/Tax on Finished Prod.		
Ice Cream	15%	-	Chocolate	15%	20%	
			Milk Powder	5% higher than Finished product		
			Sleeves	15%	20%	
Shampoo Sachets	15%	10%	Bulk Shampoo	15%	20%	
			Sachet Foil	15%	20%	
Colour T.V.	10%	5%	Components	15%	20%	Imported
			Packing Material	15%	20%	under SRO
			Thermopole MAterial	10%	20%	505(I)/95
Bulbs	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
Tube Light (Flourecent Lamps)	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
Electric Irons	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
Hair Dryer	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
			Thermopole Material	15%	20%	
Citrus Press	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
			Thermopole Material	15%	20%	
Fan Heater	15%	-	Components	15%	20%	"
			Packing Material	15%	20%	
			Thermopole MAterial	15%	20%	
Compact Flourecent Lamps (Energy Saving Lamps)	15%	-	Components	15%	20%	SRO
			Packing Material	15%	20%	505(I)/95
Soaps	15%	10%	Industrial Perfumes	15%	20%	
			Citric Acid	15%	20%	
			Dyes	15%	20%	

Mr. V. A. Jafarey
Advisor to Prime Minister
Minister of Finance
ISLAMABAD

15th May 1996

Dear Mr. Jafarey

BUDGET PROPOSALS

Thank you for your response. It is unfortunate that you could not allow the time to personally present our views. Last year when we made such a presentation to the Federal Secretary Finance we found this most rewarding as we were able to debate the issues on the spot and arrive at decisions.

As suggested by you we are sending the view of OICC&I for the forthcoming Budget.

Our proposals relate to :

- Aligning the Government and Private Sector mindsets and paradigms 'Partnership for Growth.
- Resource Mobilization.
- Making Local Manufacture Attractive.
- Generating Foreign Exchange.
- Developing Human Resources.
- Specific Tax related Proposals.

Regards

Yours Sincerely,

TARIQ IKRAM

OICCI BUDGET PROPOSALS 1996-97

While significant gains have been made in enhancing the size of the manufacturing sector over the past three decades, the agricultural sector continues to account for a large share of economy. As a result, overall economic performance is subject to the volatility experienced in agricultural production. Indeed, the importance of the cotton crop in determining the overall health of the economy was evidenced by the severe setback to growth over the past three years. Moreover, the economic recovery during the current fiscal year appears to be due largely to a strong rebound in cotton production.

The continued dependence of the Pakistan economy on the agricultural sector relates to the low rate of investment. Over the past two decades, investment has averaged below 20 percent of GDP, with a large share of total capital formation accounted for by the public sector. This compares poorly with the rapidly growing and diversifying economies of East and Southeast Asia, where investment rates have been sustained at around 35 percent for the past decade.

Pakistan's weak investment performance owes largely to the stance of fiscal and trade policies. Large fiscal deficits have diverted scare financial resources into financial budgetary outlays, thereby reducing the availability of credit for private investment. In addition, anomalies in the trade and tax system have given rise to perverse incentives that discourage investment and saving. In formulating fiscal and trade policies for 1996/97 and beyond, the Government must, therefore, accord high priority to tightening the budgetary position and removing the disincentives to save and invest.

Expenditure restraint should be a critical component of the required fiscal reform package. The retirement of public debt with privatisation receipts will help reduce the recurring debt severing burden. Also, although development expenditure has declined relative to GDP in recent years, careful monitoring of the development budget with a view to raising its overall efficiency and effectiveness may result in further cost saving. Finally, defense expenditure must also be scrutinized, and expenditures that are not directly related to fulfilling the country's security needs must be scaled back.

The fiscal adjustment effort must also be supported by additional revenue mobilization. However, this does not imply that each tax reform measure must result in a direct and immediate increase in revenue. Instead, **the tax system package as a whole must be structured not only to mobilize tax receipts directly, but also to improve collections indirectly by promoting increased economic activity via higher investment.**

Reform of the tax system that seeks to improve the growth performance of the economy must be guided by the following principles: resource mobilization; making local manufacture attractive; generating foreign exchange; and human resource development. These objectives will be accomplished by engaging the private sector into a meaningful partnership with the Government. Each of these principles, along with specific proposed measures to help achieve it, is discussed below.

1. Aligning Government and Private Sector Mindsets - "Partnership for Growth"

There is severe polarization in the perception of each other. The paradigms are different and the relationship suffers from mistrust. In an attempt to resolve any issues together, we must first align the minds. It is vital that major efforts be made to do this starting with the senior most in the government and industry. Such efforts should be facilitated by experienced and highly competent people. One such event was held by OICCI at Bhurban in 1995. This was with participation of CBR, Monopoly Control and Corporate Law Authority. This must be repeated but with other ministries. For example Ministry of Health, Industries and Commerce. The objective would be to have in 3 years 100 - 150 government servants an 200-30 senior most executives in Private Sector totally aligned and working in stride.

2. Resource Mobilization.

The agricultural sector, which accounts for one-fourth of the economy, makes virtually
no contribution to the national exchequer. As a result, the entire burden of direct taxes falls on the corporate sector, thereby weakening the incentive to invest. It is critical, therefore, that agricultural activity be brought within the tax net in a meaningful way. Indeed, the liberalization in recent years of agricultural prices has brought these prices inline with world levels, and has resulted in large gains to the agricultural sector. A fair share of these gains should be collected as tax revenue. To offset the potential increase in the cost of agricultural goods production, measures to boost agricultural yield should be implemented.

The implementation of the GST will also make an important contribution in the effort to mobilize additional revenue. Since it is a tax on consumption, the GST will raise national saving and make additional funds available for productive investment. Because it will involve a one-time increase in the overall price level, though, it is important that the GST be perceived as fair and efficient. Hence, there should be no "sacred cows". In other words, a uniform rate of GST should be applied to all goods and services, and exemptions should be kept to an absolute minimum. As higher tax rates encourage evasion, we recommend a low rate with as wide an application as is feasible.

Other measures to expand the tax base should also be implemented. For example, incentives for tax should be based not only on revenue, but also on the number of assesses brought into the tax net.

Improved documentation of the economy helps broaden the tax base and make it more elastic. Certain aspects of the present tax system, however, discourage documentation. In particular, presumptive or withholding taxes, though administratively simple to collect, are especially damaging. These taxes hit only the large businesses, and create an incentive for smaller businesses to evade such taxes by not recording their transactions. Hence, removal of these administratively convenient but otherwise detrimental taxes is required. In place of presumptive taxes, the tax system should be restructured in favor of a value-added tax that would, by contrast, encourage documentation and record-keeping. documentation will also be enhanced by expanding the coverage of the GST.

The levy of excise duty gives an unfair advantage to small-scale manufacturers that do not record their transactions. These manufacturers are often less efficient than their larger, tax-paying competitors, to remove this unfair and costly advantage while improving the incentive to document transactions, excise duties on luxury item should be replaced with sales taxes at the import stage.

3. *Making Local Manufacture Attractive*

A critical factor influencing investment decisions is the perception of consistency and stability of government policies. While the overall macroeconomics adjustment program is well-focused, frequent changes in microeconomics policies undermine investor confidence and weaken investment activity in order to promote private investment in local manufacturing activity, the Government must adhere to consistent policies and resist pressures to make frequent and ad hoc changes in taxes and the legal environment governing economic investment.

Regulatory tax changes that result in "pin pricks" for the private sector must be eliminated and policies should be geared toward making it a "pleasure" to invest. For example, the change in income year of private companies introduced in the 1995/96 budget caused great disruption and adversely affected the corporate sector, particularly multinational companies. Also, the regulatory duty on imports and the 1 percent flood relief surcharges, also on imports, were imposed for specific purposes and their prolonged use weakens the Government's credibility. Finally, adhoc levies by the Government of Sindh - on imports and with aspect to professional tax rates under the Sindh Financial Act of 1994 - are in appropriate and should be reconsidered.

The program to liberalize the trade regime and reduce realiance on trade taxes is commendable. In the long run, it will help promote a more efficient and internationally competitive industrial sector. The sequencing of import duty reductions across the various product groups, however, will be critical in ensuring that sudden pressure on the balance of payments does not emerge. In this regard, Import duties and Sales taxes on capital goods, including spare parts, not manufactured in Pakistan should be reduced first. Indeed, a plan to eliminate altogether duties on raw materials and capital equipment should be adopted. Moreover, to ensure that local industry is at least on equal footing relative to foreign competitors, net protection inclusive of all levies, including sales and excise taxes, should be at least 25 percent.

The prospects of increased trade relations with India have attracted considerable media attention in recent months. While increased trade will involve considerable gains in the long run, care must be exercised in implementing freer trade, in particular, trade in raw materials and capital inputs would be liberalized first, and a reasonable period should be accorded to final goods manufacturers to adjust their production patterns before tariffs on finished products are reduced.

The current loophole in current trade policy under the guise of Afghan Transit Trade places local manufacturing activity at a considerable disadvantages. This avenue for free trade should be tightened immediately to ensure that only goods genuinely destined for Afghanistan are able to utilize this facility.

Equally important for investor confidence and making local manufacture more attractive is the perception of fairness and equitable treatment. Discriminatory tax or trade policies not only undermine productive investment, but also divert considerable resources into unproductive activity aimed at securing special treatment and privileges. To discourage such directly unproductive activity and to promote investor confidence, the Government should build a reputation of fairness and strive toward creating a level playing field for competing economic activities. In this regard, some specific example of unfair and discriminatory practices that presently exist are as follows:

a) Exemptions from sales tax and excise duty are allowed in the free industrial zones. These exemptions not only involve a loss in potential tax revenue, they also encourage inefficient firms to gain at the expense of efficient competitors. Furthermore, the intent of such exemptions- employment creation, for example is often lost. Indeed, even when such practices are successful in increasing employment, they often force out of business other firms that do not enjoy the same privileges, resulting in an employment loss. Hence, exemptions granted to the free industrial zones should be reviewed, leading to an equitable solution for investors.

   To the extent that such schemes serve macroeconomics objectives, including employment creations or the promotion of investment, more careful targeting of the schemes should be employed. Moreover, such incentives should be made available to all competitors on an equitable and non-discriminatory basis. For example. tax incentives to encourage investment should be set at levels that are competitive with other developing countries, and their duration should be consistent with the nature of the investment. Similarly, the objective of raising employment would be met more directly by programs to upgrade human capital.

(b) Within the banking sector, foreign banks face a withholding tax of 58 percent, compared 30 percent for local banks, on returns from treasury bill holdings. This implies a wedge of over 1/2 percent points in the cost of funds for foreign versus local banks. Moreover, investment banks face a lower income tax rate that commercial banks such discriminatory practices encourage inefficient activity and allow inefficient banks to maintain a disproportionately are share of market. Indeed, this discriminatory treatment results in funds being diverted from efficient projects to less efficient ones, thereby hampering overall economic performance.

(c) Withholding tax is levied at the import stage of trading companies, and this tax is the final discharge of tax liabilities. By contrast, manufacturing companies have the option of claiming these payments against their tax liabilities. This discriminatory practice should be withdrawn by allowing trade companies to also file their tax returns in the same manner as manufacturing companies.

(d) The imposition of excise duty in addition to a uniform sales tax is aimed at discouraging the consumption of luxury goods. There is no such justification, however, for the imposition of excise duty on essential consumer goods and capital goods such as paints; electrical wire and cables; detergents; toilet soaps and hygiene items; including powder; shampoos and creams. Thus excise duties on these goods should be withdrawn.

(e) For the tobacco industry, excise duty is levied at two stages. We opposed the principle of taxing at both raw materials and finished products stages. It is recommended therefore, that the levy of excise duty be converted a single stage.

(f) At present differential rates of tax-free applied to tin plates of "prime quality" and "second quality". However, customer authorities are not equipped with sufficiently sophisticated electronic equipment to determine the quality of tin plate consignments. Hence, either an expert panel comprising of tin plate specialists should be constituted and its verdict must be binding the customs authority, or the dual duty structure should be merged into a single duty rate applicable to all tin plates.

4. Generating Foreign Exchange.

Aside from the promotion of local manufacturing activity in general, particular emphasis must be placed on promoting export activity. In this regard trade policy should be focused towards identifying activities in which Pakistan has a comparative advantage. Once identified these activities should be promoted through the timely fixation of export rebates and quick disbursal of rebates. Moreover multinational

corporation should be attracted by zeroing in on the need of those companies not presently operating in Pakistan.

Trade policy should also aim towards focusing on particular region in trade can be promoted. In particular, avenues for enhancing export opportunities with the central Asian states and Iran should be identified and exploited. Enhancing infrastructure to fulfill this aim should be accorded high priority.

Manufacturing activity in general export activity in particular will also be boosted by developing infrastructure, Infrastructure development should be ultimately be reflected in lower cost of power, transport, and port services. Indeed schemes aimed at promoting investment in a particular region should focus on the provision of adequate infrastructure facilities rather than tax concessions.

5. Human Resource Development

As regards human capital, vocational training facilities should be expanded, and labour laws should be liberalized. These changes will enhance labour productivity and rise the international competitiveness of Pakistan industry. Private sector involvement in human capital development should be encouraged by offering taxes incentives to firms that engage in vocational training. High quality post graduate educational facilities should also be upgraded, with a view towards developing 10,000 skilled managers to take up leader ship of manufacturing sector.

These proposals for tax and trade policy changes are intended to rejuvenate Pakistan Manufacturing sector and improve its competitiveness. To accomplish this objective, the Government should work together with the private sector to bring about a mindset change in the formulation of implementation of the policy environment. To this end, the OICCI offers its full support in working with the Government to achieve these national objectives.

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Section 12(12) **Deemed income on purchase of an asset**

1. Under section 12(12), where any asset (except stock-in-trade) is purchased by an assesses from a company and the assessing officer is of the view that the price is paid is less than fair market value(FMV) thereof, the difference between the price paid and the FMV is deemed to be the income of purchaser. This concept of FMV is also in rule 8 of third schedule for determining the "sale proceeds " in calculating the tax profit or loss on sale of a depreciable asset.

   For leased asset a "residual value" is paid by the lessee and received by the lessor, on maturity of the lease. The aforesaid concept of FMV should not be applicable for lease assets, both for section 12(12) and for rule 8, since the actual cost of the leased asset has been paid with each installment of the lease consideration. The finance act 1994 provided that in case of leased assets the said "residual value" would be considered as the "sale proceed" for the purpose of rule 8, by insertion of a proviso in the said rule 8, thus making the concept of FMV inapplicable for certain approved lessor. However no consequential amendment was made in section 12(!2) in respect of non applicability of the concept of FMV for lessee. It is therefore necessary that a proviso similar to that in rule 8, be legislated for section 12(!2) whereby the "residuals value" on maturity of the lease be considered as the purchase price of the leased asset.

Section 23(1) **Deduction against income from business**

Scheduled banks and financial institutions have to restructure debts which are doubtful of recovery. In a scheme of re structuring of such debts a portion of the debts may have to be waived to secure the recovery of the major portion of the debts. Such restructuring is wholly and exclusively for the purpose of the business and the loss arising therefrom is incidental to the business of banks and financial institutions. It is recommended that a specific clause be inserted in sub-section (I) of section 23 for allowance of such losses under a scheme of restructuring with a proviso that the loss is actually written off by the assesses.

Section 26 **Special insurance regarding business of insurance**

1. Exemption from tax on income from KDCs. DCSs, and on sale of listed company share are not being allowed to companies doing insurance business on the round that the exemptions available under the second schedule to the ordinance are not allowed to such companies since their income is assessable

under the fourth schedule. This interpretation would appear to be contrary to section 14 since the exemption under the second schedule given by Federal Government are applicable to all assesses especially when there is no provision in the second schedule for excluding assesses doing insurance business.

2. For computation, purpose all income including dividend income is assessed as business income; however, the portion of the total income which consist of dividend income is to be axed at the intercorporate rate. This is mandatory under Part V of the first schedule which applies to all companies. Paragraph A of Part V clearly states that in the case of company rate of income tax on "total income excluding such part of total income to which paragraph D and E applies shall be Paragraph refers to tax rates applicable to the companies including companies in the business of insurance, has to be levied at the incorporate rate.

3. The aforesaid anomalies need to be clarified by insertion of an "Explanation" after clause (a) of section 26 to read as under :

"Explanation : For the removal of doubt, it is clarified that the provisions of the fescons schedule to the Ordinance and the rates of tax as per the First scheduled would apply in like manner as applicable to other assesses".

Section 31(4) **Royalty**

Income of a non-resident from royalty received from a Pakistani Company, if not covered under a Tax Treaty, is presently subject to tax at the full rate of tax on such income of non-resident for the assessment year 1996-97 is 43 percent.

The affective rate of tax on royalty income is thus unnecessarily high even when compared to the rate of 15 percent on gross fees received by a non-resident by a way of technical services [Income from fees of technical services].

In keeping with the declared policy of the Government to encourage transfer of technology and know-how, the income from royalty received by a non-resident should also be taxed at 15 percent of the gross amount of royalty.

Section 53(4) **Compensation on advance tax.**

Sub-section (4) of section 53 which was deleted by the Finance Act, 1995 should be reinstated to allow payment of compensation on advance tax and on all taxes suffered or paid under section 50 (as such deductions /payments are akin to advance payment of tax) at the enhanced rate of 15 percent.

Section 79 **<u>Income from transactions with non-residents.</u>**

Multinational companies operating in Pakistan are being subjected to heavy additions to income on account of alleged transfer pricing on imports. Such additions are in most cases made on an arbitrary basis and is a positive deterrent for further foreign investment in the country both for new industries and expansion projects of established industries. This has resulted in protracted litigation spread over a number of years. This unsatisfactory state of affairs is despite the fact that the CBR has clarified that the present law is in line with the current international practice of adopting the "arm's length" principle to judge the fairness and independence of commercial and financial transactions as against collusive transfer pricing practices. Unfortunately no guidelines have been issued for the assessing officers for determination of the "arm's length" principle. It is recommended that appropriate guidelines in accord with international practice be prescribed in the Income Tax Rules after considering the view point of the affected multinational companies.

Section 96 Refunds.

Assesses are at times subjected to harsh recovery measures for collection of demands, whereas refunds when determined, are not paid promptly, even though the Government has frequently proclaimed that refund vouchers would be issued along with the assessment orders.

It is recommended that strict instructions be issued to the assessing officer to issue the refund cheque together with the assessment order.

FIRST SCHEDULE

PART 1

<u>Rates of Income Tax</u>

The slab rates of tax need to be revised. The threshold of Rs. 100,000, Rs. 200,000 and Rs. 300,000 mentioned in paragraph A of Part I need to be revised to Rs. 200,000, Rs. 400,000 and Rs. 600,000 receptively.

PART III

<u>Surcharge</u>

It is suggested that no surcharge should be leviable on individuals.

Deductions from income in case of individuals

Where the property has been acquired, constructed, renovated, extended or reconstructed with capital contributed by the House Building Finance Corporation constituted under the House Building Finance Corporation Act 1952 (XVIII of 1952). or a scheduled bank, under a scheme of investment in property on the basis of sharing the rental income made by the said corporation or bank, deduction should be allowed in respect of the amount representing share in the rental income (excluding return of capital, if any, from the said property and any other charges, levies etc. paid to the said corporation.

SIXTH SCHEDULE
PART I

Rule 3 (I)

This Rule interalia states that any interest credited on the balance to the credit of the employee participating in a recognized provident Fund in so fat as it exceeds one third of the salary of the employee or is allowed at a rate exceeding such rate as may be fixed by the Federal government in this behalf by notification in the official Gazette, which at present is 16 per cent, shall be deemed to have been received by the employee in that year and shall be included in his total income and shall be liable to income tax.

It is recommended that this restriction should be removed as it encourages permanent withdrawal form the Fund, thereby discouraging savings.

GENERAL

I **Taxation of agricultural income**

Agricultural income continues to enjoy exemption from income tax despite recommendation to tax such income from various sectors including the National Taxation Reform Commission and the business community which presently contribute the maximum to tax revenue. An initial step towards taxation of such income has been taken, in as much as, the law now requires that agricultural income to be clubbed with income from business or profession and the income of directors of companies for determination of the rate of tax payable. As expected this has not yielded any substantial revenue. Furthermore, till such time as agricultural income is not taxed at the normal rate of tax, it would remain an attractive source for laundering black money.

As there appears to be no reason for continuing the exemption for agricultural income, it is recommended that this income should be taxed in addition to Usher, however to compensate such tax payers, higher exemption limits and incentives may be prescribed.

WEALTH TAX ACT, 1963

THE SCHEDULE
PART 1 **<u>Rates of Wealth Tax</u>**

At present, an assesses whose net wealth does not exceed Rs. 1,000,000 is not required to pay tax. The threshold of Rs. 1,000,000 was fixed in 1985.

To encourage saving, the threshold requires to be increased to atleast Rs. 3,000,000 taking into consideration the inflation over the years and the depreciation in the value of Rupees since 1985.

3. Accountability of Assessing Officers

Presently there is no system of accountability in cases where the assessing officer resorts to rejection of book results on flimsy reasons and makes adhoc disallowance's and additions to income which are eventually set-aside in appeal. The complete absence of accountability at all levels leads to harassment of assesses especially now that the officers who are to supervise the assessing officers themselves take on the assessing function. The hardship to the tax payer is further aggravated due to the law which requires him to pay a portion of the demand before an appeal can lie before the appellate authorities. A system should be evolved by the CBR whereby a percentage of assessments are reviewed by an independent authority to determine the extent to which the assessments have been cancelled, set-aside or modified in appeal and appropriate action taken against officers.

16th June, 1996.

PRESS RELEASE BY OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

The Overseas Investors Chambers of Commerce and Industry representing the entire foreign investment in this country wish to urgently bring to the notice of the government and the highly damaging aspects of the elimination of the tax free allowances from employees, both management and non management of the private sector, especially those entities which have a substantial foreign investment.

We need not remind the government that it is those employees and the company employing these individuals who are responsible for the major contribution to the government's exchequer. The sudden and arbitrary measure such as this will not only cause immense hardship to the individuals but will place substantial additional burden on the operating expense of the companies as items such as employers' contribution to the provident fund, gratuity and pensions may need to substantially adjusted upwards.

Besides being highly discriminatory, it will also encourage the very individuals needed at this juncture by the country to seek employment overseas. Just at the time when overseas Pakistani professionals were beginning to return home, the government has imposed prohibitive taxation on only one specific class of tax payers. This segment of the economy i.e. the private sector is also where the government is looking for further investment. Measures such as these are extremely discouraging to both the prospective investors and to the highly trained persons which this sector employ and wishes to employ in the future.

As it is, it is highly unfair to target only a specific class. This is all the more disappointing as the government has shown its inability to broaden the tax base not by including significant sectors of the economy. The members of these chambers strongly believe that the very high inflationary trends over the past several years have greatly diminished the real income and therefore it is tax relief that is required and not additional tax levies. This has been acknowledged by all including the Prime Minister of Pakistan.

Future foreign investment not only depends on stable political and economic policies, that also the ability to attract skilled and highly trained professionals. This particular class of professionals can find work in any part of the world, and will obviously opt for areas where a lower taxation is provided. It has perhaps escaped the notice of those responsible for these proposals that the increase in the taxation of lower level staff will increase by the over 200% and that of the middle and high level by between 215% to 200%.

This in addition to the rising cost due to the imposition of the general Sales Tax will undoubtedly have a crippling effect on our employees' spending power. This in turn will reduce the purchasing power which will subsequently slow down the economy industrial growth, the increase in the GDP will inevitably reduce the overall revenue collection and the ability of the industry to provide additional employment. Surely this cannot be the Governments objective.

The salaried class especially that of the foreign companies is perhaps the only which does not evade taxes. It has already been squeezed to the last drop through direct and indirect taxes. Even the Prime Minister in the recent speech mentioned that there are only 800,000 tax payers in the country! What more need to be said when the population of the country is 131 million.

We would therefore make a strong representation to the Government to withdraw these draconian levies.

TARIQ IKRAM
PRESIDENT,
OVERSEAS INVESTORS
CHAMBER OF COMMERCE & INDUSTRY

Presented for favorable consideration and publication in the next issue of your esteemed news paper.

MOHAMMAD ASLAM
DEPUTY SECRETARY

By Fax. 811328
Total Pages. 2

REF: 13-1 19th June 1996

Mr. Alvi Abdul Rahim
Chairman
Central Board of Revenue
Islamabad

Dear Mr. Rahim,

I am most grateful to you for allowing us the time to see you on the subject of taxation of the perquisites.

In the interest of clarity, I wanted to restate our view with respect to any additional taxation on the salaried class. The foreign companies clearly feel that the exemption from Income Tax of all perquisites should be reinstated. Should the government wish to remove the exemptions, this may be done provided that the tax rate applicable to the salaried class is reduced to a level which does not result in any incremental tax liability. Also, that this reduced level of tax rate should then be applied to all salaried people whether it be in the private or the public sector or indeed any other employees.

For purposes of additional recourse generation, we can certainly discuss and assist the CBR in identifying possible avenues, is an exercise separate from the issue of taxation of the perquisites of the salaried class.

We met Mr. V.A. Jafarey on the 18th of June, and conveyed to him as well our views as expressed above.

With regards.

Yours Sincerely,

TARIQ IKRAM
PRESIDENT

c.c. Mr. Iqbal Farid
Member Income Tax
Central Board of Revenue
Islamabad.

17th June, 1996.

MINUTES OF THE MEETING OF OICC&I MANAGING COMMITTEE & CHAIRMEN / CO-CHAIRMEN STANDING SUB COMMITTEES HELD ON 16TH JUNE, 1996 AT 11.30 AM IN THE CHAMBER'S PREMISES.

PRESENT:

MR. TARIQ IKRAM	PRESIDENT
MR. T. V. HIGGINS	VICE PRESIDENT
MR. MOIN FUDDA	MEMBER & CHAIRMAN INSURANCE SUB COMMITTEE
MR. M. YOUNAS KHAN	MEMBER & CHAIRMAN COMMERCIAL MATTERS SUB COMMITTEE
MR. S. ALI RAZA	MEMBER & CHAIRMAN TAXATION SUB COMMITTEE
MR. I. S. SANGSTER	MEMBER & CO-CHAIRMAN COMMERCIAL MATTERS SUB COMMITTEE
MR. AZHAR A. HAMID	CHAIRMAN BANKING & FINANCE SUB COMMITTEE
MR. F. A. HASHIMI	CO-CHAIRMAN TAXATION SUB COMMITTEE
MR. FAROOQ HADI (SPECIALLY INVITED)	PRESIDENT AMERICAN BUSINESS COUNCIL

LEAVE OF ABSENCE:

MR. S. NASEEM AHMAD	MEMBER & CHAIRMAN LABOUR SUB COMMITTEE
MR. TARIQ AMIN	MEMBER & CHAIRMAN CORPORATE LAW SUB COMMITTEE
DR. M. S. HABIB	MEMBER & CHAIRMAN INDUSTRIAL POLICY SUB COMMITTEE
MR. J. B. STEVENS	CO-OPTEE MEMBER MANAGING COMMITTEE
MR. M. SULGER	CO-OPTEE MEMBER MANAGING COMMITTEE & CO-CHAIRMAN INDUSTRIAL POLICY SUB COMMITTEE
MR. MUHAMAD ASLAM	CO-CHAIRMAN CORPORATE LAW SUB COMMITTEE
MR. AZHAR A. MALIK	CO-CHAIRMAN INSURANCE SUB COMMITTEE
MR. M. MOONIS	CHAIRMAN PORT TRUST & COMMUNICATION SUB COMMITTEE
MR. S. H. A. BUKHARI	CO-CHAIRMAN PORT TRUST & COMMUNICATION SUB COMMITTEE

President apologized for the short notice of the meeting. He briefly expressed to the Members about the impact of the damaging aspects of the elimination of tax free allowance of employees of corporate bodies, specially for those entities which have substantial foreign investments. The sudden withdrawal of the facility so far given equally to all salaried staff, but now withdrawn from private sector, will not only cause immense hardships to the individual but will also place substantial additional burden on the operating expenses of the companies.

Mr. Farooq Hadi, President of American Business Council (ABC) assured the Members that ABC would fully support OICC&I in their efforts to let the unjustified notification of CBR be withdrawn. Speaking on behalf of the German Business Council (GBC) Mr. M. Younas Khan also expressed the same feelings.

Keeping in view of the limited time period made available by CBR to lodge protest, the Members after brief discussion, agreed to:

1. Establish immediate contact with CBR and high officials of Ministry of Finance at Islamabad to exchange views with them for understanding the problem in its correct perspective and communicate to Members.

Members of the Delegation:

1.	Mr. Tariq Ikram	President
2.	Mr. T. V. Higgins	Vice President
3.	Mr. I. S. Sangster	Member
4.	Mr. S. Ali Raza	Member
5.	Mr. M. Younas Khan	Member
6.	Mr. Azhar Hamid	Chairman, Banking & Finance Sub Committee
7.	Mr. Shaukat Mirza	Engro Chemicals
8.	Mr. D. M. Woodroffe	The Hub Power Company
9.	Mr. Munawar Hamid	ICI
10.	Mr. Syed Shabbar Zaidi	A. F. Ferguson

The delegation planned to meet following officials of CBR and Ministry of Finance.

1.	Mr. Alvi A. Rahim	Chairman, CBR
2.	Mr. M. Iqbal Farid	Member (Income Tax) CBR
3.	Mr. Mohibullah Shah	Board of Investment
4.	Mr. V. A. Jafarey	Advisor to the Prime Minister
5.	Prime Minister	

2. SEEKING LEGAL OPINION:

Mr. Moin Fudda was asked by the President to coordinate all related legal matters and discuss the issue with legal experts and seek their opinion about the legal validity of the CBR's Notification dated 13th June, 1996.

3. JOINT REPRESENTATION:

OICC&I, alongwith ABC and GBC should finally submit a joint representation to the Government highlighting the far reaching effects of the said discrimination in Government's policy.

4. PRESS RELEASE:

Meanwhile the Chamber should draft the Press Release. Mr. S. Ali Raza agreed to prepare the draft.

5. INDIVIDUAL EFFORTS:

Members may advise their staff and lodge their complaints individually, if they so desire. Members of the Trade Union Bodies who are effected by the Notification should also be informed of the impact on low paid workers.

With no further points to discuss, the Meeting ended with vote of thanks to the Chair.

MOHAMAD ASLAM
DEPUTY SECRETARY

By Fax. 213780
Total Pages. 5

REF: 13-1 20th June 1996

Mr. V. A. Jafarey
Advisor to Prime Minister
Finance & Economic Affairs
Ministry of Finance
Islamabad

Dear Mr. Jafarey,

PROPOSAL FOR WITHDRAWAL OF INCOME TAX EXEMPTIONS ON PERQUISITES TO CORPORATE SECTOR SALARIES

Thankyou for allowing us the time to see you on the 18th of June 1996, on this matter of great importance and urgency. Our view is as follows:-

The proposals to withdraw tax exceptions on perquisites for the corporate sectors salaries s will be counter productive to the economic development for the country and may not even guarantee additional revenues. It will be a source of great discouragement to the best documented sectors of the economy. This sector is currently engaged in managing and promoting inward investment into Pakistan and rather than be penalized should be motivated and encouraged.

The measures as proposed will have the following implications:-

a) The assumptions that the companies will pick-up additional tax liabilities accruing from this measure is not correct. All established Multinationals make local employees accountable for their personal tax liabilities in Pakistan. For example salaries are not reduced if tax rates are reduced by the government, vice versa must also be true.

b) As per our initial estimate the average increase in tax liabilities for corporate employees will be approximately 130%. We would like to report that corporate employees of all levels are in state of shock at the prospect of the additional tax burden.

c) The proposals, if enforced, are bound to result in a severe de-motivation of all employees. Those who are able to consider employment outside Pakistan, will now do so with less reluctance than before. We will thus lose human resource of high level, experience and expertise so vital to the increased pace of investment desired by the government.

d) As a consequence of the above, and the overall increase in cost of man power, foreign investors will need to review the feasibility of investment opportunities in Pakistan and indeed project which are already in pipeline.

e) The element of discrimination is equally disturbing. The exemptions have been withdrawn from corporate employees and not the government or the government corporations. Infact the worst hit will be multinational companies being the most transparent salary administrators.

f) The income tax assessing authorities will get into endless and inconsequential debate in valuation of perquisites provided in kind.

We understand that the rationale for this measure has two parts:-

- The generation of additional revenues for the government.

- The principle of withdrawal of tax exemptions.

Revenue Generation:

There is a strong possibility and we are checking this out further) that this will, in reality reduce, rather than increase revenues. For example, even if, as assumed by the government, Corporations were to compensate for the employees for the additional tax burden, Corporate Profits will reduce as also will Corporate Tax, which will more than offset any gains the Government expects out of individual tax increases. In effect the government is transferring taxation from corporate sector to employees.

Withdrawal of tax Exemptions:

In principle we agree that such exemptions should not remain. However it must not lead to any increase in tax liability of the salaried class who are severely burdened already with direct and indirect taxation on one hand and increasing cost of living on the other, specially with sale tax increasing to 18%. For example housing is a significant part of any house hold budget and there is no encouragement available to individuals to own/build their own house. Please see proposals on the last page.

The above we feel:

(i) may force the unorganized Business Sector to find even more innovate solution to overcome personal taxation which will inevitably lead to a further drop in Income Tax revenues from this sector.

(ii) is bound to lead to an escalation in salaries of staff over the medium term. This will increase the cost of production and make Pakistan even less competitive in the world and South Asia in particular. This will lead to lower exports and production, slowing down the pace of economic growth in the country.

(iii) in the medium and longer term could lead to reduction in investment and consequent reduction in Corporate employment and size of business operation. As a result the medium and longer term forecast increase in Corporate Taxes will not happen and indeed there is a prospect of reduction.

As is clear from the above, at best these measures are likely to be revenue neutral to the Government and very likely revenue negative, in both the immediate and medium to long term. Therefore it begs the solution that if the principle of removal of exemptions is to be implemented with which the Overseas Chamber agrees in principle, it should be done in tax neutral fashion.

RECOMMENDATIONS:

Considering all above, the Overseas Chamber would like to recommend the following for consideration:

a) The proposal in the finance bill on the subject in its present from should be withdrawn to avoid the negative implications enumerated above.

b) Given that the Overseas Chamber agrees in principle for the removal in exemptions,the alternative method to implement this principle should jointly be worked out by the Government and Overseas Chamber in such a fashion that this change is tax neutral. For example if exemption is removed from perquisites the tax rate/slab should be so adjusted that the end result is tax neutral in the hands of employee. The salaried employee has no flexibility in his current after tax earning to be able to absorb any additional taxation.

c) All salaried class (private or public sector) must be at this same reduced rate of personal taxation. Since it will be a tax neutral situation. The Government will not need to increase salaries of the Government servants either.

d) Professionals can remain at the present tax rate. It may be noted that it may not essential that if the tax rate of the salaried class is reduced, that of the professionals etc. Must also reduce. Salaried class are already assessed and organized as a separate category even if at present the tax rate of both may be the same. There is enormous justification in now having a reduce tax rate for salaried class since the huge benefit of tax exempt perquisites is being withdrawn. There is no such change being made for professionals, hence their tax rate can remain as at present.

e) In view of the general need for providing more relief to the salaried class we propose that housing is the greatest news for all (including the Government). At present loan are not taken to build/buy because of the high cost of interest. We suggest that (as the practice of the number of developing countries), the interest on loan taken to build/buy a house should be deductible from the income of the salaried people. It is ironical that whilst such a deduction is presently available for houses building or bought for purpose of being rented, it is not available for those who wish to live in it themselves and therefore do not have any rental income. This result in encouraging the renting of houses as opposed to owing them inspite of 3 million shortfall in owned houses at present in the country. This proposal is fully endorsed by Mr. Alvi Chairman CBR and I think has your agreement as well.

Finally, we must emphasis that since the working out of the alternative method would need more dialogue, it is imperative that withdrawal of the current proposal be made immediately, so that business do not have to start deducting enhanced taxes with effect from 1st July 1996, which is only 11 day from now.

Looking forward to hearing from you at the earliest. We will, as suggested by you, again meet with you on the 25th of June 1996, in Islamabad. We have already proposed in a separate letter at 10:30 A.M. Kindly advise your convenience.

Regards,

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT.

TI:YSH.JUN37

1st July, 1996

Mr. M. Iqbal Farid,
Member (Income Tax),
Central Board of Revenue,
ISLAMABAD.

*Dear **Mr. Farid,***

CORPORATE EMPLOYEES TAXATION OF PERQUISITES

At the meeting with representatives of the Ministry of Commerce and Central Board of Revenue under the Chairmanship of Mr. Asif Zardari, it was agreed that the OICC&I would submit proposals on how perquisites which previously had not been taxed would be included in the tax net and how these perquisites would be valued for taxation purposes.

Please find attached the proposals of the OICC&I as agreed. We would value an early appointment to discuss these with you and are at your disposal.

Yours truly,

T. V. HIGGINS
PRESIDENT

Attachments:

19th August 1996

Dr. M. Ikramul Haq
General Manager - Commercial
Engineering Development Board
Government of Pakistan
Saeed Plaza, Jinnah Avenue
Blue Area
Islamabad.

Ref: YOUR LETTER EDB-03/96 DATED 14TH JULY 1996

Dear Dr. Haq

Thank you for your above letter. We regret the delay in reply as we thought it would be more appropriate to gather view from our members on 1996-97 budgetary measures.

Some of the measures which have effected the industrial sector in general and engineering goods manufacturing industry in particular are:-

SALES TAX

- Sales Tax has been imposed almost without any exception on raw materials, components and finished products of engineering industry (both imported & locally produced). On the other hand total incidence of duties and taxes on a number of imported engineering products has substantially been reduced. This coupled with higher tariff rate for power, has resulted in the increased cost of production, thereby making engineering goods produced in the country incompetitive in the international market.

- Owing to imposition of sales tax on all products without any exception, capital plant and machinery has also been subjected to sales tax. This tantamounts to taxation on investment. In such a situation it will make the industrial investment more expansive and slow down the pace of industrialization in the country.

- Sales tax at cocessionary rate of 5% has been imposed at import stage in case of certain items like equipment for power generation, oil/gas, electricity transmission and distribution system etc. While similar equipment, locally manufactured, have been taxed at standard rate of 18%. This has created the unfavourable situation for the local industry and needs to be rectified.

- The Government has always been encouraging export of engineering goods and to achieve this end Engineering Firms bid in the international tenders. For this purpose SRO 671(I)/94 was issued whereby exemption of custom duty and sales tax was allowed for supply of goods against international tenders by the local manufacturing firms. However, in the present budget, exemption of sales tax has been withdrawn vide SRO 385(I)/96 dated 13th June 1996.

- It is obvious that with the withdrawal of sales tax exemption the ex-works prices of local manufacturers will be loaded with 18% sales tax and they will hardly compete and have a chance to procure business against international tenders. Also the locally manufactured machinery and equipment supplied against international tenders was previously exempted from sales tax vide SRO has also been recinded in the present budget resulting in a big blow to engineering industry. In order to boost and help the engineering industry zero rate sales tax, previously available to locally manufactured engineering goods supplied against international tenders, under SRO 597(I)/90, may be revived as such supplies have always been accorded the same status as that of export.

- Imports for the local telecommunication industry were previously exempt from sales tax. Shortly before the budget announcement the SRO was amended and exemption was withdrawn resulting imposition of 15% sales tax. The rate of sales tax has now been increased from 15% to 18%.

- Import of tractors under Awami Tractors Scheme is free of duty and sales tax, whereas the locally produced tractors are now subjected to 18% sales tax.

CUSTOM DUTY

- Custom duty on some of the imported raw materials has been reduced to substantial level i.e. Pig Iron and HR/CR Flat Steel rolled products from 65% to 10% but sales tax on these items has been levied at the higher rate of 23% thereby nullifying the positive effect of reduced rate of duty to the engineering industry.

- The increase in custom duty on components from 25% to 30% has brought at it par with the CKD duty on passenger car while it is higher than the CKD duty on Pickup which is 20%. Thus there is no value addition in passenger car and negative value addition in Pcikup i.e. if the same components in CKD from have to pay 30% duty.

- While the Dies, Moulds Jigs and Fixtures imported in complete set are charged 15% and 20% duty, the raw material for them if imported is charged at a higher rate of duty which is 35%. This would damage the growth of units manufacturing dies, moulds, jigs and fixtures for automobile industry.

- Before budget 1996-97 there was distinction between manufacturers and traders/importers of telecommunication system. Statuary rate of custom duty @ 65% was applicable on telecommunication articles/equipment whereas it was subjected to 45% custom duty for industry. The total telecommunication manufacturing industry tend to remove incentives available previously to give a net protection against import of fully manufactured equipment.

TAX INCENTIVES

- In January 1996 Government provided incentives to Software Houses / Software companies in Pakistan intending to develop Software for export and thus the Software development apparatus i.e. computer related hardware peripherals, including hardware and software development tools etc. where exempted from payments of all import taxes. These incentives have been withdrawn with imposition of 10% Custom Duty, 10% Regulatory Duty and 18% Sales tax on such apparatus.

C. V. T.

- Imposition of Capital Value Tax (CVT) on light commercial vehicles will adversely effect its sales and since of the same generates employment, the employment generating capacity will be adversely effected.

EXCISE DUTY

- Currently the locally produced refrigerators and airconditioners are subject to Excise Duty at 10% of the "Retail Selling Price", which on an average amounts to Rs. 1600/- per refrigerator and Rs. 2200/- per airconditioner. No Excise Duty is levied on imported goods. We, therefore, submit as follows to remove the above anomaly:

1. Imposed Excise Duty on imported refrigerators and airconditioners at 15% of the duty paid value, so that it is equated in rupee terms with the excise duty paid (based on retail selling price) on locally produced goods.

or

2. Excise Duty be withdrawn from the locally produced goods as well.

INCOME TAX EXEMPTION

- Income from manufacture of electronic equipment or components thereof in specified location, under clause 121(B) Part-I of the second schedule of the Income Tax Ordinance, 1979, were allowed five years tax exemption. Withdrawal of this income tax concession as modified in the budget is adversely affecting the industry.

We hope to have provided you with the desired view on the repercussions of the budgetary measures of 1996-97 on Engineering Goods Manufacturing Companies in the country.

Regards

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

24th September 1996

Member (Income Tax)
Central Board of Revenue
Government of Pakistan
Islamabad.

SUB: <u>ADVANCE TAX PAYABLE UNDER SECTION 50(5) OF THE INCOME TAX ORD. 1979</u>

Dear Sir

The Financial Bill 1996-97 amended the above law to empower the Regional Commissioner of Income Tax to issue a 2% reduced rate certificate in the case of a manufacturer importing raw materials exclusively for his own use, if the tax paid or collected under this sub-section during that year equals the amount of tax paid by the assessee in the immediately preceding year.

The above amendment is a recognition of the hardship being faced by some assessees, but it does not provide the relief that was intended while amending the law.

In July 1995 the rate of deduction of tax at the import stage was increased from 2-4%. The impact of this increase doubled the tax deducted at the import stage. The tax being ad-valorem, the situation was further worsened by the increase in the value of imports consequent to continued adverse adjustments in the parity of the rupee against import currencies. This increase in deduction at source cannot under any circumstances be set off against the tax liability as the increase in taxable income is not always proportionate.

Moreover, a company that has a significant investment plan will be penalised further as it will continue to generate tax depreciation allowances which will significantly lower the tax liability.

In view of what is stated above you are requested to consider an amendment in the change brought about by the Finance Bill 1996 to include the following:

> "Provided further that if an assessee's (not necessarily in the case of manufacturers) own estimate of income is filed showing that the tax liability is fully discharged by deductions made under section 50(5), then the regional Commissioner may issue an exemptions from deduction of tax at the import stage. However, if the difference between the assessee's actual income and own estimate is greater than 20% then penal interest at the rate of 24% per annum will be recovered from the assessee for the outstanding period during which such balance tax remains unpaid."

The amendment proposed above is corroborated by the fact that the income Tax Commissioner is authorized to issue an exemption certificate for deduction of tax at source under section 50(4) of the Income Tax Ordinance, while no such relief is provided for deductions to be made under section 50(5). The proposed change will remove this fiscal anomaly.

Please let us know if any further clarification is required.

Thanking you,

Yours Truly

ZAHID ZAHEER
SECRETARY GENERAL

CIRCULAR NO. 152 June 26, 1996

ALL MEMBERS

ENVIRONMENT

Over the past couple of months there has been considerable activity on matters related to the Environment. The purpose of this letter is to update you on the developments in this grade.

1. The Shams Lakha Committee recently issued the minutes of its meeting held on May 16, 1996, a copy of which is attached for information (attachment 1). Many of the thoughts processes and concepts have been captured in these minutes.

2. The Shams Lakha Committee met again on June 24, 1996. The primary item on the agenda was to review the recommendations of the technical expert committee of the Ministry of Environment on the relaxation of NEQS sought by industry. The Shams Lakha Committee is now scheduled to meet again on July 2 or 3, 1996, to firm up its position on NEQS revision.

3. The Shams Lakha Committee was informed on June 24, 1996 by Dr. Tariq Banuri, Executive director, SDPI of the efforts made to secure some fiscal concession from the Government to encourage Environment Conservation measure(see attachment 3).

4. There are several lose ends that remain to be tied up between Government and industry to enable effective management of Environment protection measures. Briefly these are :
   a) Agreement on the NEQS parameters.
   B) Establishing the rate of pollution charge by pollutant and the rate by which it shall be escalated each year.
   C) Establishment of presumptive pollution load by type of industry.
   D) Collection procedure of pollution charge.
   E) Development of detail rules and procedure for measuring and monitoring pollution levels.
   F) Getting SRO's issued to confirm fiscal incentives for installation of pollution abatement measures.

5. Dr. Naveed Ahmad, Manager technical of the Hub Power Company has been appointed as the OICCI representative to the Technical Expert Committee of the Ministry of Environment.

   The Government is firm in its resolve to implement the NEQS and the pollution charge effective July 1, 1996 even through there are a number of open issues. The purpose to firm up the basis of pollution charge within the third quarter of 1996 and apply the agreed upon basis retroactive to July 1, 1996. OICCI will continue to actively interact with the government and its environmental committees to resolve and clarify matters.

ZAFFAR A. KHAN
Leader - Environmental Task Force

c.c : Mr. Tariq Ikram, President, OICCI
Mr. Zahid Zaheer, Secretary General, OICCI

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June 11, 1996

Mr. Asif S. Khan
Director General
Pakistan Environmental Protection Agency
44-E, Office Tower , 3rd Floor
Blue Area
ISLAMABAD

Fax # 051-277882

Dr. Muhammad Hanif
Director General (Technical)
Ministry of Environment, Urban Affairs,
Forestry and WildLife
Government of Pakistan
ISLAMABAD

Dear Sir

We refer to you letter No. 1 (1)/96-DG dated May 09, 1996, seeking specific proposals for rationalization of the currently gazetted NEQS due to become effective July 1, 1996.

Since then, the Overseas Investors Chamber of Commerce and Industry (OICCI) has carried out consultation with its member companies and received a number suggestions to revise the NEQS. Most of our member companies are of the view that the NEQS levels as gazetted by the Government are too stringent relative to other countries, do not recognize the infrastructure limitations of the country and will put our industry at a considerable disadvantage. Some of the frequently mentioned issues and concerns are summarized on attachment 1 of your information.

However our members are keen to work with the Government to make Environment Protection programs both effective and successful. In this regard we have reviewed the many changes in NEQS sought by our member companies and selected only a few NEQS parameters that we would like the Expert Technical Committee to consider and review. The parameters proposed for revision are shown on attachment 2. We trust that these will receive the consideration of the Expert Technical Committee.

Representatives of the OICCI would like to visit Islamabad to meet the Expert Technical \committee to discuss and/or further explain our proposals for change to the NEQS. We believe a face to face meeting would be beneficial . Please let us know when we could come for this purpose.

Finally we greatly appreciate the offer of the Government to accept a nominee of OICCI on the Technical Expert Committee. We are in process of finalizing the selection of our nominee and will revert shortly with his name and bio-data.

Best regards

Very truly yours

ZAFFAR A. KHAN

c.c. : Mr. Shams Kassim Lakha,
President
Agha Khan University

Mr. Tariq Ikram
President, OICCI

GENERAL COMMENTS ON NEQS AND ENVIRONMENTAL LEGISLATION FROM OICCI MEMBER COMPANIES

- The Overseas Investors Chamber of Commerce & Industry (OICCI) welcome the proposed environmental legislation and the establishment of NEQS. All our member companies are keen and willing to take conversation measures.

- However most of the member Companies have reservations and concerns on the mode and speed of the proposed implementation plan.

- A brief summary of the key issues and concerns are as follows:-

  - The gazetted NEQS are too stringent and put our industry at a relative disadvantage to other countries.

  - Many of our companies are not in a position to attain compliance by July 1, 1996 and are seeking more time (approx. 2 years) to get their home in order.

  - Several industries are not knowledgeable about their emissions and waste streams and are currently not equipped to analyze the same.

  - The national infrastructure to support immediate enforcement of NEQS this week. Absence of professional expertise, limited number of laboratories with trained staff, inadequate or poor maintained municipal sewerage and waste disposal systems are frequently cited examples.

  - Several companies have suggested that NEQS should give due consideration to the quality of the "receiving source", i.e. the NEQS level should be varied depending on if the effluent is being discharged into say any sewer, the sea or canal. Similarly, different standard are adopted for emissions depending on if these are occurring in congested urban areas or open rural areas.

  - Many have sought information on measurement and sampling points, acceptable sampling techniques, acceptable test methods, approved laboratories, frequency of analysis, etc.

  The Government should promptly announce concessions/incentives for import and installation of pollution control devices and measuring equipments, e.g. custom duty/sales tax waiver, etc.

  The process of consultation adopted in the development of the Environmental Protection Act should be followed in case of NEQS also. This will help in achieving the overall objective of improving the environmental performance of industries.

ATTACHMENT 2

OICCI RECOMMENDATIONS FOR RATIONALIZATION OF NEQS

LIQUID INDUSTRIAL EFFLUENTS

NO.	Parameter	Current NEQS (PAKISTAN)Mg/L	International NEQS Mg/L	Proposed NEQS Mg/L	Rationale behind Proposed NEQS
1	COD	150	Greece 1000 river Brazil 500 " India 250 " Srilanka 250 " Turkey 350 " Indonesia 300 sewer South Africa 1500 " Venezuela 1500 " Egypt 500 "	300	- The COD level in our water streams is much lower than industrialized countries due to the small industrial base of Pakistan. Therefore, COD absorption capacity in our water streams is available. - The cost of treatment plants escalates very rapidly if designed to attain very low levels of COD. A COD at the proposed 300 level makes the treatment plants more affordable and provides a much better cost/benefit ratio. - At the proposed COD level the effluent can be tolerated by vegetation and used for irrigation purposes. - The proposed COD level is in line with many developing countries.
2	Chlorides	1000	Italy 1200 river South Africa 1000 sewer Spain 2000 " Germany 2800 "	1500 for canal 5000 for sea	- Ground water generally contain chlorides in the range of 155-5600 ppm (Source Pakistan Journal of Scientific and Industrial Research Vol. 33.NO. 10 Oct. 1990) with several source of water intake having 1000mg/l or more chlorides. In such situation the proposed NEQS cannot be met. It is therefore recommended to allow relaxed NEQS to cater for such situations. - Most industrial effluent of Karachi eventually ends up in the sea having chloride level of around 35000ppm. Therefore the proposed levels of Chlorides will not cause any adverse effect to the receiving source. In other parts of the country there are many brackish water ponds and saim nullahs, which can easilyreceive high chloride water. - The effluent water having chloride content of 1500 or less can be allowed to be discharged into irrigation canal systems, without causing any serious detrimental effect.

OICCI RECOMMENDATIONS FOR RATIONALIZATION OF NEQS

NO.	Parameter	Current NEQS (PAKISTAN)Mg/L	International NEQS Mg/L	Proposed NEQS Mg/L	Rationale behind Proposed NEQS
3	TFM (Total Fatty Matter)	no STD	Turkey 60 river Argentina 500 " Brazil 100 " Uruguay 100 " Chile 200 " Ireland 100 sewer Germany 100-250 " Sweden 200 " UK 400 "	100	- At present TFM is apparently included in the NEQS as Oil & Grease. It should not be included as Oil & Grease as the Oil & Grease standard is meant for substances which are of mineral sources. Therefore it is recommended to include a separate. standard in the NEQS for TFM - Fats from animal and vegetable sources are bio-degradable therefore higher limits can be allowed compared to Oil & Grease of mineral sources. - To provide lower than the recommended level of TFM in effluent, additional chemical treatment facilities will be required which will create substantial quantities of chemical sludge, besides bein highly capital intensive. - The proposed NEQS of 30 mg/l is in line with many developing and developed countries of the world.
4	Grease & Oil	10	Turkey 100 Korea 5-30 Indonesia 10-70 Germany 20 Switzerland 20	30	- The proposed NEQS of 30 mg/l is in line with many developing and developed countries of the world.
5	Sulphate	600	Greece 1500 river India 1000 " Bangladesh 3000 " Malaysia 1000 " Spain 2000 " South Africa 1800 sewer Turkey 1000 " Italy 1000 " Holland 1148 "	1200	- Ground water generally contain sulphates in the range of 467-1540 ppm (Source: Pakistan Journal of Scientific and Industrial Research Vol. 33 No. 10 Oct. 1990).This level is higher than the proposed NEQS. - Most soils in Pakistan are alkaline and sulphates are generally well received in such agriculture lands. Therefore it will not pose any problem if water containing recommended sulphates contents is used for irrigation. - The proposed NEQS of 1200 mg/l is in-line with many developing countries.

OICCI RECOMMENDATIONS FOR RATIONALIZATION OF NEQS

NO.	Parameter	Current NEQS (PAKISTAN)Mg/L	International NEQS Mg/L	Proposed NEQS Mg/L	Rationale behind Proposed NEQS
6	BOD	80	China 150 *Turkey 250* Kenya 450 Egypt 500 India 350 sewer 30 river/sea 100 irrigation	150	- Effluent with 150 BOD if discharged *directly into river/canal will be cleaned* through self-purification process, common in natural streams. - Effluent with the BOD of 150 mg/litter if allowed to seep underground will have no effect on receiving groundwater, due to passing through many soil layers and compositions. - BOD upto 150 mg/litter will not pose problem if discharged directly. - Reduction in BOD level beyond the proposed limit will require capital intensive hi-tech plants needing imported equipment and having low cost benefit ratio - The proposed limit of 150 mg/l is in line with several other countries.
7	Iron	2Mg/l	Taiwan 10 Japan 10 Singapore 20 Indonesia 5-9 Australia 30	10	- Various plants in rural areas, consume significant portion of their water requirements from irrigation canals system. The water from this source has an iron contents of 5-10 mg/l. Thus, it isnot possible for the effluent to have an iron content lower than its source of water supply. - The proposed level is in-line with other countries.
8	Ammonia	40 Mg/l	India 50 Turkey 50 Indonesia 50	50	- During the fertilizer plant start-up/shutdown, the amount of ammonia in the plant effluent increases This is inheritant to the plant design and cannot be reduced to the NEQS limit during this period. It is therefore recommended to allow a higher level of ammonia at the effluent source, provided the available dilution can lower the ammonia content to5 mg/l in receiving source. This will still be in line with the proposed NEQS of 50 mg/l with the minimum dilution of 1 : 10. - The proposed level of 5o mg/l is in line with several other countries.

OICCI RECOMMENDATIONS FOR RATIONALIZATION OF NEQS

INDUSTRIAL GASEOUS EMISSIONS

NO.	Parameter	Current NEQS (PAKISTAN)Mg/L	International NEQS Mg/L	Proposed NEQS Mg/L	Rationale behind Proposed NEQS
1	Sulphur Dioxide (SO2)	400	India 1200 Korea 786-3144 Thailand 1310-1834 Philippines 1500 Turkey 1700	1500	- Fuel oil available to industries in Pakistan has a higher Sulphur content of around 3.5%. Low Sulphur content fuel oils should be imported so that the treatment plants for SO2 reduction are not required. - Relaxation in SO2 NEQS given to power plants should be allowed to other industries also. - For small industrial units, installing a treatment plant for SO2 removal is extremely expensive and in most case not affordable by the business. - The proposed limit is in-line with several other countries.
2	Nitrogen Oxides (NOX)	400	Taiwan 2247 Indonesia 4600 Philippines 2000	2000	- For small industrial units, installing a treatment plant for NOX removal is extremely expensive and in most cases not affordable by the business. - The proposed limit is in-line with many other countries

13th October, 1996

Mr. Mueen Afzal,
Special Secretary,
Ministry of Finance,
ISLAMABAD.

*Dear **Mueen**,*

I write on behalf of the OICC&I Members to thank you for sparing time to discuss atters of mutual interest with us on the 12th September, 1996. All of us are very appreciative of the frank and cordial discussions, which were focussed on how best the investment environment can enhanced.

1. *One of the best ways of attracting foreign investment in the country is to demonstrate success of existing companies. Restricting profitability of foreign and domestic companies by denying them price increase options in the face of continually increasing cost of inputs and other distortions in taxes do not auger well for the future and is not in conformity with the free market philosophy of the Government. For the Pharma industry there is need for indexation of prices to inflation and to establish a code of conduct by the companies.*

2. *The increase in duties on local products and reduction of duties on the imported goods gives benefits to traders who do not make investments.We propose that the local industry should get net protection level of at least twenty five percent.*

   The burden of taxation on local manufacturing, makes imports more attractive, despite tariff barriers.

   The following examples illustrate this point clearly:

   A. <u>*Cigarettes*</u>

      For an imported pack of Cigarettes sold forRs. 22, the taxes payable to the Government is Rupees Seven only, whereas a locally manufactured packet of Cigarettes sold for Rs. 22 would attract Rs. 17 in taxes. The Government is therefore inadvertently subsidizing imports at the expense of local manufacture. This will encourage Tobacco Companies to switch from domestic manufacture to imports.

B. Toiletries

SHAMPOOS & TOILET SOAPS

	JAN 95	JUL 95	JAN 96	JUL 96
Import Duties				
- Imported FP Shampoo	*40%*	*40%*	*40%+10*	*55%+10*
- Imported FP Toilet Soap	*35%*	*35%*	*35%+10*	*55%+10*
- Imported Raw Material				
Tallow	*15%*	*15%*	*15%+10*	*5%+10*
PKO	*15%*	*15%*	*15%+10*	*40%+10*
Perfume	*35%*	*35%*	*35%+10*	*45%+10*

C. Detergent Industry

Linear Alkyl Benzene is the raw material used in the manufacture of environmentally friendly soft Sulphonic Acid from which detergents are made. In the Budget of 1996/97, Government has increased the Custons Duties of the raw materials from 30% to 55% and the Sales Tax trom 20% to 23%. At the same time, the imported finished product i.e. Sulphonic Acid has merely suffered an increase in Sales Tax from 15% to 18%. Consequently, imported soft Sulphonic Acid is charged with total net duties and taxes of 71% while the raw material used for manufacturing it locally is burdened with duties and taxes totalling 103%. Thus there is aprice advantage of Rs. 6,260 in favour of import over local manufacture.

Local manufacturing has other disadvantages also.

- *Local Industry has to pay other livies like 5% and 2.5% of pre tax profit as Workers Participation and Welfate funds. Local industry has to bear costs of depleted infrastructure of Electircity, Roads, Telecommunication. These charges are not borne by the imported products. All these should be taken into account when arriving at the net protection level.*

- *Compared to other developing countries Pakistan has by far the highest Import Traffs, Sales Tax and Excise Tax as illustrated in the following table:*

	Pakistan	*Philippines*	*Thailand*	*India*
Per Capital Income $	*495*	*1,130*	*2,680*	*335*
Sales Tax	*18%*	*10%*	*7%*	*8-13%*
Excise Tax	*10%*	*0%*	*0%*	*0-40%*
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Tallow Duty	*55%*	*10%*	*0%*	*42%*
Surfactant Duty	*45%*	*20%*	*25%*	*42%*
Perfumes Duty	*55%*	*3%*	*10%*	*42%*

- *Currently Federal and Provincial Governments are authorised to levy taxes on Industries. More recently the Municipal Bodies have also enhanced local taxes on the Industry, such as Trade Tax and Octroi.*

3. *The misuse of Afghan transit trade and unchecked irregular imports (smuggling) are a threat to local manufacture apart from loss of revenue to Government.*

   High burden of duties and taxes upon legitimate imports and manufacture increase the incentive for smuggling. An example is Tea, where such levies are of the order of 107% and smuggling has increased to such proportion that the extent of revenue collection from mlegitimate Tea imports will decline. Other examples are Television sets, Tyres, Lubricants and items of Toiletries and Cosmetics.

4. *Restrictions on local borrowings to foreign companies in the Form "L" regime.*

   After the introduction of the Prudential regulations, this control has become obsolete and meaningless and is discriminatory to foreign companies.

5. *There is need to rationalise the over protective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The Government must not interfere in the collectiive wage bargaining process by announcing adhoc and untimely increase in wages.*

6. *High cargo handling costs at the Port need to be controlled. The Karachi Dock Labour Board has outlived its usefulness and contributes to high costs in the Port. Karachi Port has three times the cost of UAE Ports*

7. *The present regime of restricting Visas to expatriates for 3 months only and reporting to registration officer for resiedent permit, and also reporting departures arrivals each time needs to be streamlined.*

8. *Subsidies should only be granted after careful consideration, otherwise they defeat the objective for which rthey are made.*

Subsidy to Ghee Corporation of Pakistan "GCP" is an example. The comparative prices of vanaspati sold by the GCP of the premium brands and of others are as follows:

a) GCP - Rs. 31 per kg.
b) Loose Vanaspati - Rs. 39 per kg.
c) Other low quality brands - Rs. 46 per kg.
d) Premium brands - Rs. 48 per kg.

The extremely low prices of vanaspati sold by GCP is achiebved through Government subsidy which added up to a figure of over Rs. 1.1 Billion in the last financial year and is likely to be about Rs. 660 Million this year. The subsidy causes distortion in the market place by reason of the fact that in consumer perception GCP's declared price is seen to be a standard against which the product price of other manufacturers is measured by the consumer. The consumer assumes that if the GCP can sell vanaspati at Rs. 31 per kg. so should the other manufacturers. The perception produces frustration in the consumers and raises in their minds a presumption of profiteering causing damage to the image of private companies. No real useful purpose is served in subsidizing GCP vanaspati because while it is supposed to sell through the Utility Stores Corporation directly to consumers, in fact it invariably finds itself in the hands of unscrupulous wholesalers. It is the Government's declared policy to do away with subsidies of all kinds. The subsidy to GCP should also go. Such a step would help in reducing the shortfall in revenues and will also help to stabilize the prices by increasing competition in the open market.

I trust you wil find these comments useful and we look forward to your support in redressing some of these matters.

Kind regards.

Yours sincerely,

T. V. HIGGINS
PRESIDENT

30th September 1996

Mr. Asif Ali Zardari
Minister for Investment
Government of Pakistan
Islamabad.

Dear Minister

On behalf of the Overseas Chamber I would like to thankyou for giving us the opportunity next week to discuss with you the factors which must be present to ensure successful inward investment in Pakistan by foreign companies.

- *We would like to review with you the following points which if implemented would enhance the investment environment in Pakistan.*

- *respect for contract entered into between the Government of Pakistan and foreign investors.*
- *A consistent tax and tariff policy towards industry.*
- *The burden of taxation on local manufacturing which makes imports more attractive despite tariff barriers.*
- *Over protective labour laws that hamper productivity.*
- *Monopolistic controls that restrict and discourage capital formation.*
- *Tax anomalies which are often directly at odds with macro economic objectives.*
- *The misuse of Afghan transit trade and irregular imports which are threatening local manufacture.*
- *Discriminatory treatment of foreign controlled companies in respect of local currency borrowing (Form L).*
- *Brand protection and counterfeiting*
- *The need to ensure that existing foreign investors are satisfactorily rewarded. Such investors are the best ambassadors for new investment in Pakistan.*

When we meet next week we will elaborate on these points and will be happy to give you examples of each one.

With warm regards

T. V. HIGGINS
PRESIDENT

13th October, 1996.

Mr. Asif Ali Zardari,
Minister for Investment,
Board of Investment,
Saudi Pak Tower,
16-A Jinnah Avenue,
ISLAMABAD.

Dear Minister,

I am writing to thank you for the courtesies extended to myself and my colleagues when we met in Islamabad on 8th October. I must also thank you for the delightful lunch which you hosted.

I am enclosing with this letter a memorandum which covers the issues we discussed at the meeting. This could form the basis of further discussions with the various government agencies. You very appropriately suggested the need for ongoing dialogue.

We are delighted to hear from you that the best way to attract inward investment in Pakistan is to ensure that existing companies prosper in Pakistan. In this connection we emphasized the need for the Government to implement the commitments made to the pharmaceutical industry and also to implement the policy decisions in relation to revision of margins for the petroleum distribution companies.

We are also happy to hear from you and Mr. Mohibullah Shah that it is now the policy of the Government to ensure that the total of all taxes levied on local manufactured goods must be less than that for imported goods to provide for positive protection against imports. However the implementation of this policy needs to be monitored and we welcome your suggestion to form a working group with the Central Board of Revenue to address such tax anomalies. We also welcome the opportunity to discuss with the Central Board of Revenue thoughts on the budget for 1997 / 98, including the issue of taxation of perquisites of corporate employees.

The need to minimize the import duty on plant and machinery was emphasized. The very restrictive application of custom duty incentive granted for new investment by the Government for import of plant and machinery was highlighted.

We were pleased to hear from Member, Customs that a policy decision had been taken whereby the concessionary duty will be applicable to all components that make up the imported plant and machinery of new investments. These components include machinery, piping, structural steel, steel plates, instrumentation, first charge catalyst and chemicals, etc., and should cover raw materials, components, sub-components and sub-assemblies. We request a revised SRO be issued promptly to cover this approval.

In the context of overprotective labour laws that frighten away much needed productive investment, it was heartening to hear from you that the new labour policy about to be announced will address these issues. In this connection the Chamber expressed concern with regard to the proposals for contracted out services. It was suggested by yourself that the Labour Secretary should arrange a meeting with OICC&I to discuss these issues prior to final review by the Cabinet.

The misuse of the Afghan transit trade and unchecked irregular imports (smuggling) create unfair competition for local industry and cause loss of much needed revenue to the Government, so indeed do brand imitation and counterfeiting. This Chamber will in the course of the next few weeks put forward suggestions to curb these matters. There is also a need to update other legislations such as the Explosive Act, the Factories Act, the Insurance Act and the "L" Form regime relating to local borrowings for foreign companies.

We stated that in the interest of national food security we must expand local production of urea fertilizer to achieve self sufficiency. This requires that natural gas be allocated to the fertilizer sector at the highest priority as was done previously.

In summary, the action points from our meeting were as follows:

	ACTION:
1. Formation of a working group with the Central Board of Revenue to address tax and other anomalies.	*Secretary, Board of Investment*
2. Formation of a working group with Central Board of Revenue to input thoughts for 1997 / 98 budget.	*Special Secretary, Finance / Central Board of Revenue*
3. Issue appropriate SRO to clarify import duties on plant & machinery for new investment.	*Central Board of Revenue*
4. Discuss proposals for new labour policy	*Secretary, Labour / OICC&I*

5. Propose measures to curb Afghan transit trade.	*OICC&I*
6. Review outdated legislation	*Relevant Ministry*
7. Revoke "L" Form restriction	*State Bank of Pakistan*
8. Implement level playing fields within the Banking Sector with regard to taxation and commitments made on graduated reduction. More importantly for the health of the financial sector, legal reforms protecting lenders against defaults are important.	*Central Board of Revenue & State Bank of Pakistan*
9. Implement commitments made to various industries, in particular the pharmaceutical companies, with regard to price and margin increases.	*Relevant Ministries including ECC*

Wherever we are an action party we will contact the relevant Ministry directly to propose nominees, if so required.

Mr. Minister, we look forward to continuing the initiative that you have taken in addressing the issues of the existing investors. We feel confident that this will further enhance the investment environment. You may wish to consider having a second meeting to review progress with all parties concerned sometime early in 1997.

With warm regards.

Yours sincerely,

T. V. HIGGINS
PRESIDENT

Attachments:

MEMORANDUM FOR DISCUSSION WITH MINISTER FOR INVESTMENT ON 8TH OCTOBER, 1996

- *Respect for concessions granted by the Government of Pakistan to foreign and local investors.*

  Concessions granted under the Petroleum and the Power Policies in respect of import duties on Plant and Machinery have been withdrawn, restored and again withdrawn in the Fiscal Budget.

- *Frequent adhoc changes in the Tax, Tariff and legal framework applicable to industry erodes investors confidence.*

  Examples are:

  i) Change in the Income Tax Year introduced in 95 / 96

  ii) The regulatory duty on imports and the 1% Flood Relief Surcharge also on imports, were introduced for specific purposes and their prolong use weakens the credibility of the Government.

- *The burden of taxation on local manufacturing, makes imports more attractive, despite tariff barriers.*

  The following examples illustrate this point clearly:

  1. Cigarettes

  For an imported pack of Cigarettes sold for Rs.22, the taxes payable to the Government is Rupees Seven only, whereas a locally manufactured packet of Cigarettes sold for Rs.22 would attract Rs.17 in taxes. The Government is therefore inadvertently subsidizing imports at the expense of local manufacture. This will encourage Tobacco Companies to switch from domestic manufacture to imports.

  2. Toiletries

  SHAMPOOS & TOILET SOAPS

	JAN 95	JUL 95	JAN 96	JUL 96
Import Duties				
- Imported FP Shampoo	40%	40%	40%+10	55%+10
- Imported FP Toilet Soap	35%	35%	35%+10	55%+10
- Imported Raw Material				
Tallow	15%	15%	15%+10	45%+10
PKO	15%	15%	15%+10	40%+10
Perfume	35%	35%	35%+10	45%+10

3. *Detergent Industry*
Linear Alkyl Benzene is the raw material used in the manufacture of environmentally friendly soft Sulphonic Acid from which detergents are made. In the Budget of 1996/97, Government has increased the Customs Duties of the raw materials from 30% to 55% and the Sales Tax from 20% to 23%. At the same time, the imported finished product i.e. Sulphonic Acid has merely suffered an increase in Sales Tax from 15% to 18%. Consequently, imported soft Sulphonic Acid is charged with total net duties and taxes of 71% while the raw material used for manufacturing it locally is burdened with duties and taxes totalling 103%. Thus there is a price advantage of Rs.6,260 in favour of import over local manufacture.

- *Local manufacturing has other disadvantages also.*

  - *Local Industry has to pay other levies like 5% and 2.5% of pre tax profit as Workers Participation and Welfare funds. Local industry has to bear costs of depleted infrastructure of Electricity, Roads, Telecommunication. These charges are not borne by the imported products. All these should be taken into account when arriving at the net protection level.*

  - *Compared to other developing countries Pakistan has by far the highest Import Tariffs, Sales Tax and Excise Tax as illustrated in the following table:*

	Pakistan	*Philippines*	*Thailand*	*India*
Per Capita Income $	*495*	*1,130*	*2,680*	*335*
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Tallow Duty	*55%*	*10%*	*0%*	*42%*
Surfactant Duty	*45%*	*20%*	*25%*	*42%*
Perfumes Duty	*55%*	*3%*	*10%*	*42%*

  - *Currently Federal and Provincial Governments are authorised to levy taxes on Industries. More recently the Municipal Bodies have also enhanced local taxes on the Industry, such as Trade Tax and Octroi.*

- *Overprotective labour laws that frighten away much needed productive investment.*

Over protective Labour laws that do not encourage productivity and frightens away much needed productive investment. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

- *Monopoly Control Laws that discourage capital formation.*

  Monopoly Control Laws that benchmark the concentration of economic power to an unrealistically low limit of Rs. 300 Million for assets, do not encourage capital formation.

- *The misuse of Afghan transit trade and unchecked irregular imports (smuggling) are a threat to local manufacture apart from loss of revenue to Government.*

  High burden of duties and taxes upon legitimate imports and manufacture increase the incentive for smuggling. An example is Tea, where such levies are of the order of 107% and smuggling has increased to such proportion that the extent of revenue collection from legitimate Tea imports will decline. Other examples are Television sets, Tyres, Lubricants and items of Toiletries and Cosmetics.

- *Discriminatory treatment of foreign controlled companies in respect of local currency borrowing (" L" form regime).*

- *Brand protection and counterfeiting.*

  A critical feature of an economy which enables foreign investment is protection of the brands of the investing companies. Pakistan has a major control issue here. Investors will not bring their brands to Pakistan without a legal system which is able to enforce penalty on unscrupulous manufacturers who counterfeit these brands.

- *The need to ensure that foreign investment is adequately rewarded.*

  One of the best ways of attracting foreign investment in the country is to demonstrate success of existing companies. Restricting profitability of foreign and domestic companies by denying them price increase options in the face of continually increasing cost of inputs and other distortions in taxes do not auger well for the future and is not in conformity with the free market philosophy of the Government.

  <u>Pharma Industry</u>

  For the Pharma industry there is need for indexation of prices to inflation and to establish a code of conduct by the companies. The earlier verbal commitment for price increases on decontrolled products with effect from 1st July, 1996 was not adhered to. Subsequent written commitment from the Ministry of Health for price increases effective 1st September, 1996 for both controlled and decontrolled products has also not been honoured.

- *Inequities in the Banking sector.*

  There is need to address the inequities in the Banking sector. The extraordinary high rate of taxation payable by Banking Companies need to be redressed. The discrimination in the Withholding Tax rate applicable to local and foreign banks, results in a high break even interest rate for foreign banks at 13.43% compared to 13.0% for local banks. Difference in regulatory requirements give a competitive edge to Development Financial Institutions where the break even interest rate is even lower at 11.98%. The difference in the tax rates and reserve requirements across institutions creates uneven playing fields.

FAX NO. 051 - 9215554 / 9217665

22nd October, 1996.

Mr. M. Tehsin K. Iqbal,
Joint Secretary,
Government of Pakistan,
Board of Investment,
12-13 Floor, Saudi Pak Tower,
Jinnah Avenue,
ISLAMABAD.

*Dear **Mr. Iqbal,***

Your Fax of 10th October addressed to Mr. T. V. Higgins has been passed on to me to respond.

By now you must have received our letter dated 13th October addressed to the Minister of Investment, which summarizes the gist of our discussion and our thoughts on the future course of action. I am enclosing a copy of this letter just in case it has not reached your desk.

With regard to our perceptions on 'priority areas' for investment in Pakistan, we offer the following comments for your consideration:

1. *The first priority in our opinion has to be infrastructure.*

    Physical and social infrastructure improvement.

    There is need to upgrade both physical and social infrastructure for a basis of viable investment. The most worrisome factor today is that the inability to contain current expenditure has resulted in the continued containment of development expenditure.

    As far as social infrastructure is concerned, better educated and trained manpower is fundamental to attract new investments.

2. *The country is spending a lot of hard earned foreign exchange in importing petroleum products ($ 1.2 Billion per year). This is largely because there is insufficient refinery capacity in the country. Crude imports for last year were about 450 Million Dollars only. There has been no new investment in refinery since 1965. Unless the policy framework regulating the profit is changed, there will be little investment in this area.*

3. *The country spends around 336 Million Dollars annually in the imports of fertilizer. There is need to expand the local production of urea fertilizer. This will only happen if there is sufficient allocation of natural gas on a priority basis to the fertilizer industry.*

4. *There is need to invest in manufacturing of newsprint in the country. The country imports $ 133 Million worth of paper and paper products every year.*

5. *There is need for investing in seed crushing and edible oil refining, so that the burden of import of edible oil can be reduced, which currently is over half a Billion Dollars a year.*

6. *There is need to invest in hydrocracker which will open the way for producing chemical feed stock in the country, and may lead the way to production of plastics.*

7. *Finally the allocative decisions to direct investments to specific areas are best left to the free market forces. The government should concentrate on making the regulatory environment equitable and concentrate on the implementation of policy matters, and ensure that business confidence is not eroded. This will happen when the burden of taxes is distributed more equitably and the credibility in the continuance of the government policies is strengthened. There is need to create comparative advantage in the country and this is what investors will be looking for. Businessmen also look for predictability.*

Kind regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

14th October, 1996.

The Secretary to the Government of Pakistan,
Ministry of Commerce,
ISLAMABAD.

Dear Sir,

<u>**ISSUES AFFECTING THE INSURANCE INDUSTRY**</u>

On behalf of this Chamber I wish to recall the issue of insurance reforms and amendments to the Insurance Act 1938 raised by it at the meeting held in Islamabad on the 8th instant with the Federal Minister of Investment in the Chair. It was mentioned by you that a lawyer had been appointed to examine the Report of the National Insurance Reforms Commission and to submit his comments theron. It is the Chamber's earnest desire that a copy of the Commission's Report may kindly be made available to it to enable it to submit to Government its views as well thereon. It appears advisable that the Report may be published and made public.

As the Government might be aware, insurance tariff in Pakistan is not in line with the premium rates charged in other countries of the world, including those of this region. It is not conducive to development of the local insurance market. This Chamber is of the view that it needs to be rationalized and preferably dispensed altogether, which many countries have already done. You are requested to have the issue examined by the Department of Insurance.

I am also to state that non-resident insurance companies are still experiencing delays and difficulties in timely remittance of their profits and surpluses to their head offices abroad. The matter has been agitated time and again but to no avail so far. I request you on behalf of the Chamber to resolve the bottlenecks and direct the Controller of Insurance and also advise the State Bank of Pakistan to take necessary steps to facilitate remittances.

We also request you to direct the Department(s) concerned to issue permission in favour of the foreign life insurers for transaction of specified miscellaneous insurance business as early as possible since that case has been delayed considerably despite the fact that they have deposited the amounts of prescribed fee.

This Chamber will be grateful if the Joint Secretary Insurance, Ministry of Commerce and the Controller of Insurance visit the Chamber to discuss the matter further.

Thanking you in anticipation.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

25th November, 1996.

Mr. Shamim Ahmad Khan
Secretary
Ministry of Commerce
Government of Pakistan
Islamabad.

ISSUES AFFECTING THE INSURANCE INDUSTRY

Dear **Mr. Shamim Ahmad Khan,**

A meeting was held on 8th October 1996 on the issue of insurance reforms and amendment to the Insurance Act,1938 in Islamabad with the then Secretary, Ministry of Commerce. The then Federal Minister of Investment presided the meeting. The out going Secretary informed that a lawyer had been appointed to examine the Report of the National Insurance Reforms Commission and to submit his comments thereon. It is the Chamber's earnest desire that a copy of the Commission's Report may kindly be made available to it to enable it to submit to Government its views as well thereon. It appears advisable that the Report may be published and made public.

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We also request you to direct the Department(s) concerned to issue permission in favour of the foreign life insurers for transaction of specified miscellaneous insurance business as early as possible since that case has been delayed considerably despite the fact that they have deposited the amounts of prescribed fee.

This Chamber will be grateful if the Joint Secretary Insurance, Ministry of Commerce and the Controller of Insurance visit the Chamber to discuss the matter further.

Thanking you in anticipation.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

FAX NO. 051-9213780

24th November, 1996.

Mr. Shahid Javed Burki,
Minister,
Finance & Economic Affairs,
Government of Pakistan,
ISLAMABAD.

Dear Minister,

I write to thank you on behalf of the Chamber for the courtesies extended to our President, Mr. T. V. Higgins when he called on you on 20th November in Islamabad.

During this meeting we gathered from you that your office would welcome suggestions from our side, for the actions that the Caretaker Government should take to enhance the investment environment in Pakistan, so as to increase the flow of investment into the country.

In this connection, we attach a four page Memorandum which covers the issues, we discussed with the then Minister of Investment on 8th October, 1996. The issues remain the same even today. However recognizing the limited time frame of the interim caretaker government, we suggest that the following priority issues be addressed as quickly as possible:

1. *The burden of taxation on local manufacturing, makes import more attractive, despite current tariff barriers. See Appendix I. We suggest that the local manufacturing must have a 35% advantage in government levies that are payable. The products that have negative advantage, must be provided relief immediately. The rationale for seeking this is shown in Appendix II which covers all the non- tariff disadvantages.*

2. *Removal of "L" Form restrictions by State Bank of Pakistan in respect of local currency borrowing by foreign controlled companies, as this is discriminatory.*

3. *Overprotective labour laws have discouraged employment and reduced productivity and have frightened away much needed productive investment. The termination simplicitor clause needs to be restored in the Standing Order Ordinance.*

4. *Import tariffs on capital plant and machinery have discouraged investment, more so in Pakistan where capital is scarce and cost of borrowing high. Such tariffs should not be used for revenue generating purposes, and should only be used to offer protection to local manufacturers of plant and machinery. Because of this high cost, manufacturers are discouraged to modernize and the quality of local industry products are artificially restricted against international competition.*

5. *The mobile cellular phone companies Cable & Wireless, Millicom and Motorola who have invested in Pakistan about U.S. $ 100 Million, have for the last year or so been stopped from operating in the Karachi area (the major market). These companies have incurred losses due to stoppage of this service, and despite promises of compensation, so far nothing has been done. We understand that there may be some problem in paying cash compensation up front, but a suitable formula can be worked out to adjust the compensation by enhancing the charge rate of the calls. The Government of Pakistan in its wisdom has applied 54% crippling taxes on customers bills, making the cost of communication very expensive and inhibiting market expansion and is resulting in customer disconnections and drop in usage. Since 1993 there has been no revision in the charge rate of the calls. In the six years since the cellular service started in Pakistan, they have contributed Rs. 1.8 Billion to government revenues, Rs. 2.7 Billion to the Pakistan Telecommunication Corporation and in the process have accumulated deficit of Rs. 2.2 Billion, with a negative 36% return on capital employed. I am sure you will agree that the best way to attract foreign investment is to demonstrate success of existing companies. The example of the cellular industry is crying loud for attention.*

I trust you will find these comments constructive and we will be more than happy to elaborate on them if required to do so.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

c.c.: Mr. T. V. Higgins C/o Mr. Akber Aziz, Islamabad
FAX NO. 051 - 276393

c.c.: Mr. S. Naseem Ahmad at Philips, Karachi

COMPARISON OF TARIFF PROTECTION

PRODUCT:	TOTAL COST INDEX		GOVERNMENT LEVIES INDEX		
	IMPORT	LOCAL MANUF	IMPORTS	LOCAL MANUF	ADVANTAGE
CIGARETTES			7	17	(42.8)
SULPHONIC ACID (DETERGENTS)	182	208	77	98	(27)
C&F	100	78			
PHARMACEUTICALS	121	115	14	15	(7)
C&F	100	70			
SHAMPOOS	223	263	119	130	(9)
C&F	100	46			
HOUSEHOLD SEWING MACHINES	175.5	179	68.5	64.0	5.8
C&F	100	64			
SOAPS	227	236	122	111	9
C&F	100	61			
SANITARY NAPKINS	223	263	122	109	10.6
C&F	100	66			
TEA	312.4	285	108.9	94.2	13.4
T.V. 20"	193	179	90	72	20
C&F	100	84			
REFRIGERATORS	214	204	111	85	23.4
C&F	100	69			
DIGITAL EXCHANGES	192	161	91	56	38
C&F	100	80			

APPENDICE 20 (IV)

RATIONALE FOR TARIFF PROTECTION

COMPARATIVE NON TARIFF DISADVANTAGES FOR LOCAL MANUFACTURE

1. *Economies of scale are a major factor in manufacturing costs.*

2. *Presumptive Withholding Tax (Corporate) at import stage presents a cash flow problem to local industry. Payment of advance taxes also present the same problem and add to the cost.*

3. *Local components purchased from vendors have an element of sales tax and excise duty, which is not allowed to be adjusted, against the sales tax paid on finished product(due to lack of documentation). This ends up as an additional cost in the product.*

4. *Local manufacturing has to suffer additional costs arising out of contributions to Workers Profit and Welfare Fund which are as much as 7% of pre tax profit and accrue almost entirely to the government.*

5. *Local manufacturing has to suffer extra burden of costs arising out of deficiencies and poor infrastructure, such as:*

   Interruption in power
   High port handling costs
   High transportation costs due to poor roads
   High telecommunication costs

6. *The capital costs of plant and machinery is inflated by various levies at import stage resulting in a higher investment, which is also reflected as a higher depreciation cost in the product. The element of servicing the higher investment costs is also a disadvantage.*

7. *The high cost of borrowing money and the scarcity of capital are also impediments to local manufacture.*

8. *The low productivity arising out of over-protective labour laws also adds to the costs and also denies manufacturers the flexibility in employment. Terminating costs can also be very high. Go slows and strikes also add to the costs, in as much as hartals and law and order problems resulting in absenteeism.*

11th November, 1996.

The Chairman,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

I refer to the very friendly and productive meeting held on Thursday 7th November, 1996 in the office of the Secretary Finance, Islamabad. At this meeting it was agreed that the OICC&I would submit a list of names representing Sub Committees of the OICC&I who would work closely with the CBR to resolve the concerns that this Chamber has with current methods of taxation. The OICC&I fully recognizes the needs of the Government with regard to revenue. We are concerned however, that the burden of revenues falls disproportionately on the industrial sector. Within this sector the burden is currently greater on manufacturing than on trading, thereby creating an unlevel playing field which discourages investment in manufacturing in Pakistan and consequently reduces employment.

Our objective is to highlight these abnormalities to you and to work with you to ensure that manufacturing becomes viable again. This will benefit both local and foreign investors thereby ultimately the people and the country of Pakistan.

I have attached a list of names and the Committees they represent. By copy of this letter I have asked them to approach you directly to agree on how best to take the matter forward. May I assure you that the OICC&I Committee is dedicated to helping the CBR wherever possible. We look forward to a fruitful dialogue leading a more equitable burden of taxation.

Yours faithfully,

T. V. HIGGINS
PRESIDENT

Attachments:

c.c.: **Mr. Mueen Afzal,**
Secretary Finance,
Ministry of Finance,
ISLAMABAD.

NAME:	CHAIRMAN CHAMBER'S STANDING SUB COMMITTEE:
MR. I. S. SANGSTER	COMMERCIAL MATTERS
MR. F. A. HASHIMI	TAXATION
MR. KAMRAN Y. MIRZA	INDUSTRIES
MR. AIJAZ K. KHAN	PHARMA

2nd January 1997.

Mr. Mumtaz Ahmed,
Commissioner of Income Tax,
Companies - 1,
KARACHI.

Dear Sir,

Reference is made to the discussions our Mr. A. A. Vazir had with you. Our comments on the two issues raised by him are summarized below:

ROYALTY - EXEMPTION UNDER CERTAIN TREATIES

Under certain treaties, mostly the ones signed prior to 1980's, payments of royalty from Pakistan to the resident of other contracting state is exempt from tax. Such exemption was always provided by the authorities after certain preliminary verification of the facts and certificates of exemption were released in almost all cases where the payment of royalty was at arms length consideration. From a practical viewpoint it is a substantial advantage as all the companies which provide intellectuals properties were not subjected to tax in Pakistan. In the recent past two developments have changed the scenario to certain extent, these are:

- The introduction of the new treaties where, in most of the cases royalties have also been taxed at the rates and basis similar to Fees for Technical Services (FTS), and the definition of the term royalties and FTS carry such implied similarities that arguments are developed that a particular payment represents FTS and not royalty. The contentions of the assessing officer gather further weight due to the fact that FTS is chargeable to tax under the local laws if there is no specific overriding provision in the treaty.

- The assessing officers, in almost each and every case endeavor to place the payment within the purview of FTS rather than royalty.

Besides these issues, another aspect which has acquired importance, in the recent past is the question from the assessing authorities regarding the reasonableness of the amount or the rate of royalty.

The question of reasonableness is totally a subjective issue and guidelines in these matters have not so far been issued by the regulatory bodies. Best alternate for the same could be the allowability of remittance by the State Bank.

Notwithstanding these arguments the royalties, as defined in the treaties, being a reasonable consideration for the right, etc., should remain exempt from Pakistan tax if so provided in the respective treaty.

DIVIDEND - RATE UNDER THE TREATIES

In almost all the treaties divided income in the hand of non-resident shareholders, being companies are taxed at a concessional rate if such dividends arise out of an industrial undertaking in Pakistan. In the recent past the assessing officers, have been interpreting the term industrial undertaking in a restrictive manner and are appropriating the profits out of Pakistani companies for the purpose of rate of tax into two parts, which are dividends arising from the activities strictly related to production activities of the company, and other receipts mostly other income and other allied activities. It is considered that such strict interpretation of the terms of the treaty are neither intended nor practically feasible to operate. Notwithstanding the above, all receipts being divorced from industrial activities are corollary to the main functions of the industrial undertaking.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

October 16, 1996

Mr. Khalique Ahmad Khan
Joint Secretary,
Ministry of labour
Government of Pakistan,
Labour, Manpower & Overseas Pakistan Division,
ISLAMABAD.

Dear **Mr. Khan,**

Further to our fax message of October 14, 1996, in response to yours of the October 9, 1996, we enumerate below some of our concerns relating to the changes in the labour legislation. We recognize the need to update the obsolete and outmoded labour laws.

1. Our principal concern relates in the overprotective labour laws that do not encourage productivity, inhibit business expansion and job creation, and have frightened away much needed productive investment in this country. Recognizing this, the government has granted dispensation from the application of these labour laws to Export Processing Zones and Special industrial Zones in the country. If this issue is addressed and the restrictions to hire and fire removed, it will no longer be necessary to grant dispensation from the laws to specified areas within the country. In fact the restrictive nature of these laws has been a deterrent to job creation in the country as organizations are reluctant to hire employees on permanent basis because the rights to fire an employee are restrictive.

2. The proposal to regulate or abolish contract labour is also of concern to all employers. In every organization, there are certain tasks which are of limited duration and are unlikely to continue indefinitely. Example of this is work that is associated with projects or special assignments. Employers seek the freedom to engage employees on contractual basis for specified period of time. Any regulation which interferes with these arrangements or attempt to regulate this will not be conducive to productivity. Similarly, there are certain activities in every organization which are not related to productive or main stream operations of the business like security, transportation, janitorial and canteen services, which are best contracted out to specialist providers of such services . Regulations that attempt to limit this freedom will also not be conducive to productivity and will enhance the cost of doing business in Pakistan. Organizations offering contracted services to principals, must be made to accept responsibility for the work force they employ, and the onus of doing this should not be shifted to the principal employer. We would therefore like to discuss with you the proposals to regulate or do away with contract labour and any other changes in the labour laws to ensure that the employers' interests rate not compromised.

3. The present system of allowing outsiders, who have no stake in the organization to lead trade unions and become office bearers, has been detrimental to industrial harmony and peace. This needs to be changed.

4. Our fourth concern relates to government's interference with the collective wage bargaining process as provided under IRO 1969. Time and again announcing cost of living and special allowances disrupts the wage structure and the collective wage bargaining process.

5. *Levies collected as Workers Participation in profit and Workers Welfare Fund* do not accrue to the workers. In fact, most of them go to a central find. We advocate that amounts so collected in any organization, be made available for the benefit of the workers of the unit where they are generated either by full distribution to the employees or the excess amount, which presently accrues to the government, be given to a Board of Trustees constituted in each unit, to spend for the welfare of the employees of the organization where the funds are generated.

6. The application of the Essential Services Maintenance Act '52 has been withdrawn for petroleum companies. This needs to be reconsidered in the light of the Supreme Court ruling that the application of the act is not in derogation of any fundamental rights of the workers.

7. The second Audit under Clause 23-B (1) of the Industrial Relation Ordinance 1969, has been misused. This right is invoked even in those organization which have conducted a statutory audit under the Companies Act. Second audit should only be permitted under the Industrial Relations Ordinance, if there is conclusive evidence that the primary audit is deficient or it has not been conducted.

We trust you will find this comments useful and bring them to the attention of the competent authorities, who are considering the changes in the labour laws. We apprehend that if these issues are not addressed appropriately, they are likely to restrict the much needed investment in Pakistan.

Yours sincerely,

S. NASEEM AHMED
VICE PRESIDENT

cc: **Mr. Sher Dil**
Secretary - Ministry of Labour,
Govt. of Pakistan,
Islamabad.

3rd October, 1996.

Joint Directorate of Labour,
Government of Sindh,
Central Division,
Block No. 7,
Sind Secretariat 4A,
Court Road,
KARACHI.

Dear Sir ,

WEEKLY HOLIDAY

You will have seen in the press that the FPCC&I has called for all Factories and Business to observe Sunday as a closed holiday.

We write to request you that in order to enable our Members to observe Sunday as the weekly holiday, the necessary permission under the Factories Act may be accorded to our Member Companies. Could you please confirm that such requests will be received favorably by your office, and the necessary permission will be granted.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

19th November, 1996.

MINUTES OF MEETING HELD ON MONDAY 18TH NOVEMBER, 1996 AT 11 AM IN THE CHAMBER'S PREMISES TO DISCUSS TARIFF REFORMS

PRESENT:

MR. S. NASEEM AHMAD	*VICE PRESIDENT*
MR. I. S. SANGSTER	*MANAGING COMMITTEE MEMBER*
MR. F. A. HASHIMI	*CHAIRMAN TAXATION SUB COMMITTEE*
MR. PHILIPPE BOVAY	*PROCTER & GAMBLE*
MR. ROSHAN ALI	*SINGER*
MR. NADIR JAMAL	*DADEX ETERNIT*
MR. HAROON CHAMDIA	*DADEX ETERNIT*
MR. FARHAD ZULFICAR	*INDUS MOTOR*
MR. SYED WIQAR ALI	*JOHNSON & PHILIPS*
MR. SHAKEEL AHMAD	*DOMESTIC APPLIANCES*
MR. RAFEEQUR RAHMAN	*DOMESTIC APPLIANCES*
DR. MAHMOOD SAEED	*I C I*
MR. TUFAIL FADOO	*CITIBANK N. A.*

LEAVE OF ABSENCE:

MR. T. V. HIGGINS	*PRESIDENT*
MR. MOIN M. FUDDA	*MANAGING COMMITTEE MEMBER*
DR. M. S. HABIB	*MANAGING COMMITTEE MEMBER*
MR. M. YOUNAS KHAN	*MANAGING COMMITTEE MEMBER*
MR. M. U. KLEINHENZ	*MANAGING COMMITTEE MEMBER*
MR. KAMRAN MIRZA	*MANAGING COMMITTEE MEMBER*
MR. SAJJAD RAZVI	*MANAGING COMMITTEE MEMBER*
MR. D. M. WOODROFFE	*MANAGING COMMITTEE MEMBER*
MR. J. B. STEVENS	*MANAGING COMMITTEE CO-OPTEE*
MR. MARTIN SULGER	*MANAGING COMMITTEE CO-OPTEE*
MR. ANDY PREBBLE	*CO-CHAIRMAN BANKING SUB COMMITTEE*
MR. TARIQ AMIN	*CO-CHAIRMAN CORPORATE LAW SUB COMMITTEE*
MR. ZAFFAR KHAN	*CO-CHAIRMAN ENVIRONMENT SUB COMMITTEE*
MR. AZHAR MALIK	*CO-CHAIRMAN INSURANCE SUB COMMITTEE*
MR. KHALID B. OSMANY	*CO-CHAIRMAN LABOUR SUB COMMITTEE*

MR. M. MOONIS	***CHAIRMAN PORT TRUST & COMMUNICATIONS SUB COMMITTEE***
MR. S. H. A. BUKHARI	***CO-CHAIRMAN PORT TRUST & COMMUNICATIONS SUB COMMITTEE***

BASF
ALCATEL
GENERAL TYRE & RUBBER
BATA
TETRA PAK
SIEMENS
GHANDHARA

Mr. Naseem Ahmad, Vice President chaired the meeting.

After a brief introduction on the formation of the Task Force on Tariff Reforms, its members and terms of reference, the Chairman said that the purpose of the meeting today was to try to agree on a methodology as to how the problems can be best highlighted. He introduced the concept of net tariff protection for local industry and the need for tariff protection. He also raised the question that what should be the minimum level of protection. The proposed Proforma highlighting the case for effective protection rate was tabled for discussion and suggestions invited from participants of the meeting.

The following comments were made by the participants.

1. *Clearing and forwarding charges are of the order of 6 - 8% of C&F value.*

2. *Presumptive Withholding Tax at import stage presents a cash flow cost to local industry and to importers.*

3. *Local goods purchased from vendors have an element of Sales Tax in the price. These are not adjustable against Sales Tax paid on finished goods and represent an additional element of cost to local manufacturers.*

4. *Sales Tax is presently collected at manufacturing stage. It should be collected at the retail selling point.*

5. *High cost of borrowing money and the scarcity of it caused by "L" Form regime and crowding out phenomenon, result in an added burden on local manufacturing costs.*

6. *Local manufacturing also had to suffer the burden of extra costs arising out of poor infrastructure, interruption in power, poor roads and high transportation, port handling costs.*

7. *Local manufacturing has to suffer the additional burden of WPF and WWF at 7% of pre tax profit which adds to the cost of local manufacture.*

8. *There is need to have transparency in the phasing out of the duty reduction programme. A medium term industrial policy needs to be evolved.*

9. *Imported inputs for local manufacturing are presently categorized as:*

   a) Raw materials

   b) Intermediaries

   c) Components

   These are taxed at 10, 20 and 30%. There is need to reconsider the above classification and rationalization of import duties.

Chairman requested all present to submit their case for effective protection to the Chamber as soon as possible on the agreed Proforma.

Meting closed with vote of thanks to Chair.

ZAHID ZAHEER
SECRETARY GENERAL

27th November, 1996.

MINUTES OF TARIFF REFORMS MEETING HELD ON 27TH NOVEMBER, 1996 AT 2 PM IN THE CHAMBER'S PREMISES

PRESENT:

MR. S. NASEEM AHMAD	***PHILIPS***
MR. I. S. SANGSTER	***LEVER BROTHERS***
MR.ARIF CHOKSY	
MR. KAMAL SHAH	***SINGER***
MR. SAJJAD SALEEM	***BASF***
MR. PHILIPPE BOVAY	***PROCTER & GAMBLE***

Mr. Naseem Ahmad explained the purpose of calling the meeting and the deliberations in Islamabad on the 25th November, 1996.

The task force is now seeking suggestions from Industry to ensure that local industry is not put to a disadvantage as a result of progressive reduction of duties on finished goods to 35%.

Mr. Naseem Ahmad tabled a sample format (Appendix 'A') which should be used by companies to send in their suggestions/ submissions.

Letter received from Lever Brothers was also tabled for discussion. The BASF representative also tabled two sheets which showed the position with regard to Acrylic Binders.

The representative from Procter & Gamble also tabled some suggestions.

It was agreed that all participants will submit proposals on the format suggested by Philips before tomorrow morning.

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

24th November, 1996

Dr. A. R. Kamal,
Chief Economist,
Planning Commission,
Islamabad.

Dear ***Dr. Kamal,***

It was pleasure meeting you at the meeting of the task force on tariff reforms on 20th November in Islamabad.

We are delighted that your recommendations to the task force on the structure and schedule of tariff reforms has been accepted, and you will now be detailing out these proposals.

At the meeting we presented two sheets of paper marked Appendix I and Appendix II which demonstrate how the local manufacturing industry is at disadvantage both in respect of government levies, and other non tariff matters. I enclose copies of the same for you.

We feel confident that when working out the new tariff schedules for gradual reduction of duties on imported goods, you will take into account all the levies payable by domestic industry i.e. sales tax, excise duty, etc., and not just duties and taxes at import stage.

Equity demands that all the levies be taken into consideration. To illustrate this point we attach two sheets relating to the manufacture of soft sulphonic acid and the manufacturing of coloured T. V. sets.

Mr. Naseem Ahmad our Vice President will be attending the next meeting of the task force in Islamabad at 4 PM on 25th November. He would like to call on you on the same day at a time convenient to you between 12 Noon and 3. 30 PM. Kindly confirm if it will be possible for you to meet him for half an hour.

Kinds regards,

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

Attachments: 4

Case For Effective Protection Rate

Product Category : Soft Sulphonic Acid

	IMPORTED			LOCAL		
C & F Value			100			78
	Basis	% Levy	Index	Basis	% Levy	Index
Government Levies :	IV	35.0%	35	IV	55.0%	44
- Custom Duty	IV	10.0%	10	IV	10.0%	8
- Regulatory Duty	IV	2.0%	2	IV	2.0%	2
- Pre-Shipment Inspection	LCP	1.5%	3	LCP	1.5%	2
- Octroi	DPV	18.0%	27	RSP	18.0%	27
- Sales Tax	-	-	-	RSP	10.0%	15
- Excise Duty	-	-	-	-	-	-
- Other Levies						
Total Government levies:			77			98
Local Materials & Manufacturing Cost			-			23
Handling / Clearance Charges			5			9
Total Cost			182			208

IV – Imported Value (C & F + Insurance + Landing chgs)
LCP – Landed Cost Price
DPV – Duty paid Value
RSP – Retail Sales Price

Case For Effective Protection Rate

Product Category: CTV 20"

	IMPORTED			LOCAL			SMUGGLED
	Basis*	% Levy	Index	Basis*	% Levy	Index	Index
C & F Value			100			78	100
Government Levies :	C&F	40	40	C&F	24**	20	--
- Custom Duty	C&F	10	10	C&F	10	9	--
- Regulatory Duty	C&F	2	2	C&F	2	2	--
- Pre-Shipment Inspection	LCP	4.5	9	LCP	4.5	4	--
- Octroi	DPV	18	29	RSP	18	29	--
- Sales Tax	--	--	--	RSP	5	8	--
- Excise Duty							
- Other Levies							
- ______							
- ______							
- ______							
Total Government levies:			90			72	0
Local Materials & Manufacturing Cost			--			21	--
Handling / Clearance / Channel Cost			3			2	20
Total Cost			193			179	120

* Note: Please mention basis of calculation: whether on C&F (Cost & Freight), Duty Paid Value (DPV), Retail Selling Price (RSP) or Landing Cost Price (LCP).
Local index calculated relative to imported

COMPARISON OF TARIFF PROTECTION

PRODUCT:	TOTAL COST INDEX		GOVERNMENT LEVIES INDEX		
	IMPORT	LOCAL MANUF	IMPORTS	LOCAL MANUF	ADVANTAGE
CIGARETTES			7	17	(42.8)
SULPHONIC ACID (DETERGENTS)	182	208	77	98	(27)
C&F	100	78			
PHARMACEUTICALS	121	115	14	15	(7)
C&F	100	70			
SHAMPOOS	223	263	119	130	(9)
C&F	100	46			
HOUSEHOLD SEWING MACHINES	175.5	179	68.5	64.0	5.8
C&F	100	64			
SOAPS	227	236	122	111	9
C&F	100	61			
SANITARY NAPKINS	223	263	122	109	10.6
C&F	100	66			
TEA	312.4	285	108.9	94.2	13.4
T.V. 20"	193	179	90	72	20
C&F	100	84			
REFRIGERATORS	214	204	111	85	23.4
C&F	100	69			
DIGITAL EXCHANGES	192	161	91	56	38
C&F	100	80			

APPENDICE 20 (IV)

RATIONALE FOR TARIFF PROTECTION

COMPARATIVE NON TARIFF DISADVANTAGES FOR LOCAL MANUFACTURE

1. *Economies of scale are a major factor in manufacturing costs.*

2. *Presumptive Withholding Tax (Corporate) at import stage presents a cash flow problem to local industry. Payment of advance taxes also present the same problem and add to the cost.*

3. *Local components purchased from vendors have an element of sales tax and excise duty, which is not allowed to be adjusted, against the sales tax paid on finished product(due to lack of documentation). This ends up as an additional cost in the product.*

4. *Local manufacturing has to suffer additional costs arising out of contributions to Workers Profit and Welfare Fund which are as much as 7% of pre tax profit and accrue almost entirely to the government.*

5. *Local manufacturing has to suffer extra burden of costs arising out of deficiencies and poor infrastructure, such as:*

   Interruption in power
   High port handling costs
   High transportation costs due to poor roads
   High telecommunication costs

6. *The capital costs of plant and machinery is inflated by various levies at import stage resulting in a higher investment, which is also reflected as a higher depreciation cost in the product. The element of servicing the higher investment costs is also a disadvantage.*

7. *The high cost of borrowing money and the scarcity of capital are also impediments to local manufacture.*

8. *The low productivity arising out of over-protective labour laws also adds to the costs and also denies manufacturers the flexibility in employment. Terminating costs can also be very high. Go slows and strikes also add to the costs, in as much as hartals and law and order problems resulting in absenteeism.*

Mr. Mohammad Khalid Javed
Director General
Board of Investment
Prime Minister Secretariat
Saudi Pak Tower Jinnah Avenue
Islamabad.

January 23, 1996

RELAXATION FOR VISA POLICY FOR EXPATRIATES IN PAKISTAN

Dear Mr. Khalid Javed,

This Chamber is grateful to the Board of Investment for Tabling the issue of relaxation in visa policy (for the expatriates, technocrats and manager working In Pakistan) in the 8th meeting of the Board, Chaired by the Prime Minister on 14th November 1995.

As we understand according to the decision, executives along with truer family members coming from major investment countries i.e. the USA, Canada, UK, Germany, Japan South Korea, and Malaysia shall henceforth avail the visa facilities with multiple entry for a period of their working in Pakistan, or for a period of 3 years. While nationals of the aforesaid countries shall also be exempted from police registration and obtaining residential permit.

We expect that after the above decision of the Government the perpetual worry of foreign investors in Pakistan should be over.

On the ground however, according to the feed back which we are receiving from our members, the resolution, has yet to reach the level of local police and immigration departments. Consequently, the decision is not being implemented and our members and their expatriate staff are continuously facing the difficulties as before.

We would therefore request you, that using your good offices, kindly ensure that local police and immigration staff activate the above resolution and ensure its early implementation.

Your cooperation in this request, needless to say will be highly appreciated.

Than you,

Yours Sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

cc:

1. Mr. Martin Sulger
   Managing Director
   SEIMENS PAKISTAN ENGINEERING CO. LTD. KARACHI.
   Ref: Your letter No. HR 520/EA/MA dated 01-01-1996.

2. MR. G. R. MEMON
   Company Secretary
   HUB POWER COMPANY LTD., KARACHI.
   Ref: your dated 15-01-1995.

20th March, 1996.

Mr. Mohammad Khalid Javed,
Director General,
Prime Minister's Secretariat,
Saudi Pak Tower,
Jinnah Avenue,
ISLAMABAD

Dear **Mr. Khalid Javed,**

RELAXATION IN VISA POLICY FOR EXPATRIATES

We refer to our letter dated 23rd January, 1996 addressed to your goodself (copy attached for ease of reference). Although your department has meanwhile issued reminder on 29th January followed by telegram dated 30th January, 1996 to the Ministry of Interior, apparently no action has been taken by them to relax the existing visa policy for the expatriates technocrats.

The hardship expatriate staff of our members are facing due to the present restrictions in the policy, needless to mention, is a very discouraging factor to attract foreign investors and technical know-how in the country.

We would therefore request you to please, using your good offices, impress upon the Ministry of Interior to issue the necessary instructions to their subordinate offices, soonest they can.

Thanking you

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

By Fax

June 9, 1996

Mohtarma Benazir Bhutto
Prime Minister of Pakistan
Prime Minister House
Islamabad

Madam Prime Minister,

WORK VISA FOR EXPATRIATES

Your declared and practiced policy is to enhance investment, and very rightly so. Also that as much as is possible for this, should be Foreign Direct Investment. We are all bending backwards to attract such investment but the pinpricks being faced at the middle and operating levels in the government negate most of the efforts made.

Case in point to which I draw your attention is grant of work visas to the Personnel of the Foreign Investors. These executives at very senior levels have valid contracts with their companies, but are not allowed visas to stay in Pakistan for the period of their employment. In many case work permits have been granted but these are not getting translated into work visas for the duration of employment. Executives actually have to fly out of Pakistan every 3 months to renew Visa for additional period of time. Madam Prime Minister can this be supportive of your aims and policies?

The Overseas Chamber with recommendation of BOI, has since February 1995 been asking the Ministry of Interior to correct the situation but it seems to have had on effect. Not even an acknowledgment. On 14th of November 1995 under your Chairmanship, necessary decision were taken to address the issues. **THESE TODATE AWAIT IMPLEMENTATION.** I enclose copy of reminders by OICCI to BOI to Ministry of Interior dated 21st February, 1995, asking them to advise progress regarding decision taken in BOI's meeting of 17th January 1995. I also enclose minutes of this BOI meeting of 17th January, 1995.

Madam Prime Minister how long must we wait.

Regards.

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT
OVERSEAS INVESTORS
CHAMBER OF COMMERCE
AND INDUSTRY

Enclosures:

1. Minutes of BOI Meeting held on 17th January, 1995.
2. Copy of letter addressed to Mr. Mohibullah Shah, Chairman BOI, dated 9th February 1995.
3. Memorandum issued by BOI to Ministry of Interior dated 21st February, 1995.
4. Copy of letter addressed to Mr. Mohammad Khalid Javed, Director General, BOI, dated 23rd January,, 1996.
5. Copy of letter addressed to Mr. S.A. Mirza, Manager Administration Corporate, dated 20th March, 1996.
6. Letter from Shabbuddin Ahmed, Deputy Director, BOI dated 14th April, 1996.

C.C. Mr. Asif Ali Zardari - Chairman Environmental Protection Agency Islamabad.
C.C. Mr. Nasrullah Khan Babur - Minister of Interior Islamabad.
C.C. Mr. Mohibullah Shah - Chairman BOI Islamabad.
C.C. Mr. Zahid Zaheer - Secretary General OICC&I, Karachi.
C.C. All members of OICC&I.
TI.MA.MAY43

16th January, 1996.

Director Trade Organization,
Ministry of Commerce,
Government of Pakistan,
ISLAMABAD.

Dear Sir,

ORDER NO. 2(1)/94-TO.1 DATED 03.01.1996

With reference to your above Order, we would like to state as under:

The Overseas Investors Chamber of Commerce & Industry superseded the Karachi Chamber Commerce & Industry which was founded in 1860 and is the oldest Chamber of Commerce in Pakistan. To conform with the Government policy and rationalization and to prevent proliferation of business houses, the name of the Karachi Chamber was changed to Overseas Investors Chamber of Commerce & Industry in 1968.

Of the total Overseas Investors in Pakistan today as many as 174 are our members, who are Foreign Investors, a package of services that are designed to promote and protect the commercial, industrial and Financial interest of Foreign Investors in Pakistan. It also collaborates with the Government in promoting private foreign investments.

In view of Chamber objectives being different from other Chambers, this Chamber is exempt from the Rules and Regulations governing certain aspects of the constitution of Chamber of Commerce & Industry in Pakistan, under clause 16(2) of Public note No. 1(-)/16-EP.1 dated 26th May, 1962 which read as follows:

QUOTE

" All Chambers of Commerce & Industry except the Karachi Chamber of Commerce & Industry are directed to amend their Articles of Association in conformity with these rules with the approval of Government within 120 days of the date of this Public Notice."

UNQUOTE

Please note that the name of the Chamber was changed by the Registrar's Certificate No. 835 dated 23rd Mar 1968 from Karachi Chamber of Commerce and Industry to Overseas Investors Chamber of Commerce & Industry is there fore related to the Overseas Investors Chamber of Commerce & Industry.

You will therefore note that this Chamber has been allowed to maintain its own Articles of Association and exempted from the rules.

As and when necessity has arisen in the past we have been amending our Articles and Memorandum of Association in total conformity of the parameters of law and with the approval of the concerned authorities.

As has been done in the past, please allow us to continue with the existing Articles & Memorandum of Association and exempt this Chamber from the Applicability of the order no. 2(1)/94- To.1 dated 3rd January, 1996.

Thank you.

Yours Truly,

ZAHID ZAHEER
SECRETARY GENERAL

23rd October, 1996.

The Governor of Sindh,
Governor House,
KARACHI.

Dear Sir,

We have received a complaint from one of our Member organizations, Singer Pakistan Limited, regarding harassment of its senior officials. The details are reproduced below:

QUOTE:

HARASSMENT OF SENIOR EXECUTIVES OF SINGER PAKISTAN LIMITED

We would like to bring to your goodself the following facts for immediate action and relief:

1. One Mr. Mohammad Alam Lashari of Moro who was Dealer of Singer Pakistan Limited at Moro visited our Showroom located at Shaheen Towers, Sharea Faisal, Karachi in the afternoon of 22nd October, 1996 alongwith one Mr. Ibrahim who claimed to be an additional SHO of Moro Police Station alongwith seven armed persons in Police uniform looking for the following :

    1. Mr. Bashir Ahmed - Director Marketing
    2. Mr. M. I. Beg - Sales Manager (South Zone)
    3. Mr. Rafiq Awan - Assets Manager.

2. Since our officers were not there, the above party searched for them in the whole showroom. They also asked our Manager of the showroom, Mr. Shehzad regarding the whereabouts of the above mentioned officials. After remaining there for some time, they left the premises.

3. Subsequently at about 5 PM in the evening the above mentioned party alongwith Mr. Mohammad Alam Lashari and one civilian claiming to be his brother, came to our Head Office located at 3rd Floor, Al-Haroon Building, Garden Road, Karachi. The said Additional SHO, Ibrahim alongwith three police officers insisted upon our Manager Mr. Anwar Ahmed to produce the above mentioned Executives.

4. Mr. Mohamamd Ahmed Lashari alongwith the above Police Officials again visited our Sharea Faisal Showroom in the morning of 23rd October and again insisted to produce the above Executives.

We would like to mention that there are civil litigations going between Ex-Moro Dealer, Mohammad Ahmed Lashari and Singer Pakistan Limited at Moro and Hyderabad. The Dealer is making his best efforts to convert this civil proceeding into a criminal and bring about undue pressure on the company to harass and victimize its Senior Executives. This is an obvious case of harassment to a Multinational Company for personal reasons, aimed to preventing the company not to pursue the civil case pending against the ex-Dealer.

UNQUOTE

Your immediate intervention is required to save a Multinational from such harassment in the best national interest.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

c.c.: I. G. Police Sindh
Fax No. 2426984

18th December, 1996.

Mr. Mueen Afzal
Secretary
Government of Pakistan
Ministry of Finance
Islamabad.

Dear Secretary,

I am writing to you regarding the recent decision of the Government of Pakistan to curtail / terminate the contract of the PSI companies. Many of our members have voiced their concern.

We are surprised to read and hear that one of the reasons attributed for doing this is that the business community wanted it done. This has never been the view of the members of our Chamber. They have been generally satisfied with the PSI scheme, despite differences regarding the implementation. Our members feel that the scheme has resulted in curbing "under invoicing" and has generally led to a more "level playing field". The scheme in our view has also been implemented in a reasonably transparent and equitable manner.

We would have preferred if such a decision had only been taken after appropriate consultation. We understand that a review of the performance of the PSI companies, as visualized in the agreement, has not been done.

The purpose of writing this letter is to request you to institute such a review and to hold a final decision until after the review as provided in the agreement.

This measure will help to restore confidence and encourage trade and investment in the future.

Yours sincerely,

T. V. HIGGINS
PRESIDENT

23rd December, 1996

Mr. Kanwar Idrees,
Minister for Finance,
Finance & Taxation,
Government of Sindh,
Karachi.

Dear ***Minister,***

I write to you over a matter which is of concern to several of our members. The Sindh Government has recently given an extended meaning to loan agreements based on markup finance (Islamic mode of financing) and have interpreted these as conveyance deeds.

We write to inform you that interpretation of the Sindh Government in our opinion is not correct, and is likely to have major ramifications in the province of Sindh. Amongst other things it will increase the cost of investment and will discourage investment in industry and consequently employment.

We therefore seek your intervention in this matter, and it will be our intention to raise this matter at the next Committee of Investment (COI)meeting whenever it is held.

Kind regards,

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

2nd January, 1997.

Mr. Kanwar Idrees,
Minister for Finance,
Finance & Taxation,
Government of Sindh,
KARACHI.

Dear Minister,

Further to our Fax of the 23rd December and my telephone conversation with you on the 31st December, 1996, as requested I am forwarding to you extracts of three sets of legal opinions which have been obtained from Surridge & Beecheno, Fatehali W. Vellani & Company and Rizvi Isa Kabraji, in connection with the extended meaning by the Sindh Government to loan agreements based on (Islamic mode of Finance) mark-up Finance, and interpreting these as Conveyance Deeds.

We seek your intervention in the matter.

Kind regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:
Surridge & Beecheno = 4 Pages
Fatehali W. Vellani & Company = 2 Pages
Rizvi Isa Kabraji = 6 Pages

19th January, 1997.

Chairman,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

BUDGET SUBMISSION – 1997-98

We have pleasure in enclosing two papers for consideration by the Government in connection with the formulation of the Budget proposals for 1997 – 98.

The first paper is an updated version of what was submitted to the Government in October, 1996 and covers certain aspects in more detail.

The second paper is an updated version of what was submitted last year. We make no apologies for resubmission, as it spells out clearly the more important policy issues as identified by the OICC&I. The fact that virtually no heed of the recommendations was incorporated into the budget when announced only makes it that much more important to reiterate the important points of policy contained therein.

It is normal practice that the submission by the Chamber is accompanied by a series of detailed tax proposals. On this occasion the limited time available has prevented completion of the list of tax proposals. Nevertheless a list is currently under preparation and will be submitted within the next three weeks.

In the past the Chamber has been granted the opportunity to present its proposals in person to appropriate government officials at a joint meeting in Islamabad. We would welcome such an opportunity again this year. The need for government and commerce / industry to work together to ensure the recovery of the overall economy of the country has never been greater. The Overseas Chamber is fully prepared to play its part.

Regards.

Yours truly,

T. V. HIGGINS
PRESIDENT

Attachments:

c.c.: **Mr. Mueen Afzal,**
Federal Secretary,
Ministry of Finance

19th January, 1997.

PAPER - 1

OICCI BUDGET PROPOSALS
1997 - 98

1. There is need for large capital inflows in the country.

In the absence of substantial improvements in the Government's revenue raising capacity, and unproductive recurrent obligations set to continue dominating public spending, only large capital inflows can help improve the inadequate and depleting physical and social infrastructures. There is fierce competition for investment funds worldwide, and a scarcity of guarantors. Traditional guarantors like World Bank and IFC state that they are over exposed in Pakistan. International Commercial Banks are likely to charge even higher premia due to the downgrading of Pakistan credit rating. The need for large capital inflows including foreign direct investment will continue for quite a few years, unless the slow savings rate in the country can be improved.

2. There is need to improve domestic savings.

This country expects to achieve a minimum growth rate of 5 % in the GNP every year. This amount of growth is estimated to require a yearly investment of Rs. 350 Million which is about 19% GNP. Since domestic savings are presently only 14% GNP, there is a shortfall of investments to the extent of 5% GNP, a sum of Rs. 90 Bil lion, which is currently met from foreign inflow of funds . The need to improve domestic savings is clear. One o f the reasons why domestic savings are low is that investors in Pakistan do not get a positive real rate of return. With inflation running in excess of 13% the real rate of return is negative.

3 . Therefore there is need to enhance the investment environment even further.

Impediments to investment should be removed. Some of the impediments to investments in Pakistan today are:

i) The deteriorating law and order situation and the inability of the law enforcing agencies to apprehend criminals.

ii) Credibility in the continuance of the Government's policies. Businessmen look for predictability in the Government ' s policy and this seems to be missing. Economic policies must be insulated from the political uncertainties. All sides of the political divide must agree on a common economic agenda. The need for national unity cannot be over emphasized. The Government must ensure consistent policies and resist pressures to make frequent adhoc changes in taxes and the legal environment governing economic activity. Examples of such changes are the change in Income Year introduced in the 1995/96 budget and the withdrawal of duty concessions already granted under petroleum and power polices. The regulatory duty on imports, the 1% Flood Relief Surcharge also on imports, were introduced for specific purposes and their prolonged use weakened the Government ' s credibility.

iii) Monopoly control laws that restrict the concentration of economic power to unrealistically low limit for assets, discourages capital formation.

iv) Over protective labour laws that do not encourage productivity and frightens away much needed productive investments. There is need to rationalize the overprotective labour laws, and multiple levies on employment , which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible . The government must not interfere in the collective wage bargaining process be announcing adhoc and untimely increase in wages.

v) Reduced profitability of manufacturing companies. One of the best ways of attracting foreign investment in the country is to demonstrate success of existing companies. Restricting profitability of foreign and domestic companies by denying them price increase options in the face of continually increasing cost of inputs and other distortions in taxes do not auger well for the future and is not in conformity with the free market philosophy of the Government for the Pharma industry there is need for indexation of prices to inflation and devaluation and to establish a code of conduct by the companies. The increase in duties on local products and reduction of duties on the imported goods gives benefits to traders who do not make investments . We propose that the local industry should get net protection level of at least twenty five percent.

The local industry still needs appropriate level of protection to make it feasible, viable and profitable. Local manufacturers in Pakistan cannot yet compete with foreign manufacturers who produce in mega-scale factories, with easy and cheap access to raw materials, skilled work force, and relatively lower utility costs and taxes. To bring Pakistani manufacturers on the same competitive level will take time. Without adequate duty protection local manufacturers will never have the time and profits to establish themselves, grow and make the necessary investments to build-up a competitive position.

Local manufacturing is at a disadvantage vis-a-vis imported finished products because :

- Local Industry has to pay other levies like 5% and 2.5% of pre tax profit as Workers Participation and Welfare funds.

- Local industry has to bear costs of depleted infrastructure of Electricity, Roads, Telecommunication. These charges are not borne by the imported products. All these should be taken into account when arriving at the net protection level.

- Sales and Excise Tax levies are such that local industry pays much more on locally produced products compared to imported goods .

- Compared to other developing countries Pakistan has by far the highest Import Tariffs, Sales Tax and Excise Tax as illustrated in the following table which relates to Soaps and Detergents :

	Pakistan	Philippines	Thailand	India
Per Capita Income $	495	1,130	2,680	335
Sales Tax	18%	10%	7%	8-13%
Excise Tax	10%	0%	0%	0-40%
Finished Goods Duty	65%	30%	40%	52%
Tallow Duty	55%	10%	0%	42%
Surfactant Duty	45%	20 %	25 %	42 %
Perfumes Duty	55%	3%	10%	42%

- Import Duties on raw material and finished product are roughly the same. See the following two examples :

EXAMPLE ONE

	JAN 95	JUL 95	JAN 96	JUL 96
Custom Duty				
Imported FP Shampoo	40%	40%	40%	55%
Imported FP Toilet Soap	35%	35%	35%	55%
Imported Raw Material				
Tallow	15%	15%	15%	45%
PKO	15%	15%	15%	40%
Perfume	35%	35%	35%	45%
Regulatory Duty				
Imported Fin Product	-	-	10%	10%
Imported Raw Material	-	-	10%	10%
Tallow	-	-	10%	10%
PKO	-	-	10%	10%
Perfume	-	-	10%	10%

EXAMPLE TWO

Another fiscal anomaly brought into play under the federal Budget for 1996 - 97 has skewed up the playing fields for the domestic cigarette industry. To the consternation of the manufacturers, the disparity in respect of import duty, central excise and sales tax made applicable on local production and imports has given a decided advantage to the importers . Under the new arrangement, Cigarette imports are required to pay 65 percent Import Duty, 25 percent Central Excise and 18 percent Sales Tax on C&F value. By contrast, Pakistani manufacturers are charged 65 percent Central Excise and 18 percent Sales Tax on retail price. Retail price being far higher than import value, the cumulative taxes payable by the importers are far less than those charged from the local manufacturers.

- Currently Federal and Provincial Governments are authorized to levy taxes on Industries. More recently the Municipal Bodies also started to impose local taxes on the Industry such as Trade Tax in addition to Octroi.

- Incentives for local manufacturing, i.e. tax holiday, duty exemption on imported equipment, concessionary import tariff on raw material have been withdrawn or are being withdrawn.

vi) Tax Anamolies

The present tax system contains numerous anomalies that give rise to perverse incentives, often directly at odds with macroeconomic objectives. Examples of some such anomalies are as follows :

a) The imposition of Excise Duty in addition to a uniform Sales Tax is aimed at discouraging the consumption of luxury goods. There is little justification, however, for the imposition of Excise Duties on essential capital goods such as Paints, Electrical Wire and Cables, and other hygiene items, like Detergents, Toilet Soaps, Powder, Shampoos and Creams. The Excise Duties on such goods should be withdrawn.

b) Generally, the levy of Excise Duty gives an unfair advantage to small scale unorganized sector manufacturers that do not record their transactions. These manufacturers are often less efficient, than their larger tax paying competitors . To remove this unfair and costly advantage, Excise Duties on luxury items should be replaced with Sales Taxes at the import stage.

c) For the Tobacco Industry, Excise Duty is levied at several stages. This imposes an unnecessary cost on the industry. It is recommended, therefore, that the levy of Excise Duty be converted to a single stage.

d) Concessions given on geographical basis to places like Gadoon and Hattar at the cost of the industries located in other parts of the country be withdrawn, as it only provides unfair competition. Discriminatory concessions, taxes or trade policies not only undermine productive investments but they also divert resources into unproductive activity. To enhance investor's confidence the Government should build a reputation for fairness and strive towards creating a level playing field for competing economic activities.

vii) Brand imitation, counterfeiting and Imports through irregular channels

Smuggling and the misuse of Afghan Transit is threatening closure of local industry and discouraging legitimate imports causing severe loss of revenue to the Government . Although some measures were taken in budget 1994 - 95, but still local industry and importers a finding it difficult to fight smuggling. The cost of operation of thes regular channels is very low. Brand imitation and counterfeiting is also a major problem .

4. <u>There is need to create comparative advantage</u>

It is comparative advantage that investors will be looking for, and this is what Pakistan needs to offer. When looking at comparative advantage the following needs attention:

a) Physical and social infrastructure improvement . There is need to upgrade both physical and social infrastructure for a basis of viable investment. The most worrisome factor today is that the inability to contain current expenditure as resulted in the continued containment of development expenditure.

b) Better educated and trained manpower.

c) Productivity of labour, although wages are comparatively low, but so is productivity.

d) Although the domestic market is large, the purchasing power is low. Domestic savings need to be encouraged and improved.

5. <u>There is need to support fuller documentation</u>

Documentation of the economic to restrict tax evasion and avoidance and increase government revenues . The proliferation of the Withholding Tax regime does not encourage documentation.

6. <u>There is need to enhance confidence between the business community and the Government.</u>

Government needs to take certain confidence building measures. Business and Industry must not be made to feel that it is them only who must suffer the burden of tax. All sectors of the economy must be made to share this burden, and the largest sector of the economy Agriculture must be no exception.

7. <u>There is need to contain discretionary power of tax officials.</u>

Expecting business and industry to pay arbitrary taxes up front even before the appeals are heard can hardly be described as a confidence building measure. The imposition of levy on imports and exorbitant enhancement of Professional Tax by the Sind Government are inappropriate and need to be withdrawn. The Commissioner of Income Tax Appeal and Income Tax Tribunals should function under the Ministry of Law. This would make the appeal procedure more equitable.

8. <u>There is also the need for transparency in the actions of the Government.</u>

Levies collected by the Government for specific purposes must be utilized for the purpose for which they are collected. Few such examples are Iqra Surcharge, Education Fee and a 1% Fee charged for R & D to all Pharmaceutical Companies, Workers Participation and Welfare Funds.

9. <u>There is need to address the inequities in the Banking sector.</u>

The extraordinary high rate of taxation payable by Banking Companies need to be redressed. The discrimination in the Withholding Tax rate applicable to local and foreign banks, results in a high break even interest rate for foreign banks at 13.43% compared to 13.0% for local banks. Difference in regulatory requirements give a competitive edge to Development Financial Institutions where the break even interest rate is even lower at 11.98%. The difference in the tax rates and reserve requirements across institutions creates uneven playing field.

10. <u>There is need to address factors that inhibit industrial growth.</u>

Some of these are :

a) The Government excessively uses indirect taxes as revenue generating instruments and also continually increases the cost inputs of public sector goods and services like Petrol, Electricity, Gas and Water. This resulted in escalating costs and reducing profit margins and has a dampening effect on individual incomes and consumption. The rise in the cost of living index has also eroded the purchasing power of the Rupee again resulting in a demand squeeze, with all the negative consequences for industrial growth.

b) Shortage of low risk capital for financing new investment is yet another factor. Depreciation of the Rupee has increased the cost of new investment, as has the imposition of Import Duty on Plant and Machinery. Few entrepreneurs are willing to risk their own capital in new ventures and rely heavily on bank borrowings. Financial institutions are bleeding through non performing loans granted on the basis of patronage or political largesse and are unable to provide capital for new ventures. The insaltiable appetite of the Government to borrow from the banking system in addition to squeezing worthy private sector borrowers out of the credit market, has resulted in upward pressure on the interest rates.

c) An important element of inward investment is the cost of investment. To enhance the attractiveness for such investment all capital goods and related spare parts should be rated at zero import duty. To minimize misuse of this facility a minimum investment of say Rs. 2 Million should be specified.

19th January, 1997

PAPER - 2

OICCI BUDGET PROPOSALS 1996-97

While significant gains have been made in enhancing the size of the manufacturing sector over the past three decades, the agricultural sector continues to account for a large share of economy. As a result, overall economic performance is subject to the volatility experienced in agricultural production. Indeed, the importance of the cotton crop in determining the overall health of the economy was evidenced by the severe setback to growth over the past three years. Moreover, the economic recovery during the current fiscal year appears to be due largely to a strong rebound in cotton production.

The continued dependence of the Pakistan economy on the agricultural sector relates to the low rate of investment. Over the past two decades, investment has averaged below 20 percent of GDP, with a large share of total capital formation accounted for by the public sector. This compares poorly with the rapidly growing and diversifying economies of East and Southeast Asia, where investment rates have been sustained at around 35 percent for the past decade.

Pakistan's weak investment performance owes largely to the stance of fiscal and trade policies. Large fiscal deficits have diverted scare financial resources into financial budgetary outlays, thereby reducing the availability of credit for private investment. In addition, anomalies in the trade and tax system have given rise to perverse incentives that discourage investment and saving. In formulating fiscal and trade policies for 1996/97 and beyond, the Government must, therefore, accord high priority to tightening the budgetary position and removing the disincentives to save and invest.

Expenditure restraint should be a critical component of the required fiscal reform package. The retirement of public debt with privatisation receipts will help reduce the recurring debt severing burden. Also, although development expenditure has declined relative to GDP in recent years, careful monitoring of the development budget with a view to raising its overall efficiency and effectiveness may result in further cost saving. Finally, defense expenditure must also be scrutinized, and expenditures that are not directly related to fulfilling the country's security needs must be scaled back.

The fiscal adjustment effort must also be supported by additional revenue mobilization. However, this does not imply that each tax reform measure must result in a direct and immediate increase in revenue. Instead, **the tax system package as a whole must be structured not only to mobilize tax receipts directly, but also to improve collections indirectly by promoting increased economic activity via higher investment.**

Reform of the tax system that seeks to improve the growth performance of the economy must be guided by the following principles: resource mobilization; making local manufacture attractive; generating foreign exchange; and human resource development. These objectives will be accomplished by engaging the private sector into a meaningful partnership with the Government. Each of these principles, along with specific proposed measures to help achieve it, is discussed below.

1. **<u>Aligning Government and Private Sector Mindsets - "Partnership for Growth"</u>**

There is severe polarization in the perception of each other. The paradigms are different and the relationship suffers from mistrust. In an attempt to resolve any issues together, we must first align the minds. It is vital that major efforts be made to do this starting with the senior most in the government and industry. Such efforts should be facilitated by experienced and highly competent people. One such event was held by OICCI at Bhurban in 1995. This was with participation of CBR, Monopoly Control and Corporate Law Authority. This must be repeated but with other ministries. For example Ministry of Health, Industries and Commerce. The objective would be to have in 3 years 100 - 150 government servants an 200-30 senior most executives in Private Sector totally aligned and working in stride.

2. **<u>Resource Mobilization.</u>**

The agricultural sector, which accounts for one-fourth of the economy, makes virtually
no contribution to the national exchequer. As a result, the entire burden of direct taxes falls on the corporate sector, thereby weakening the incentive to invest. It is critical, therefore, that agricultural activity be brought within the tax net in a meaningful way. Indeed, the liberalization in recent years of agricultural prices has brought these prices inline with world levels, and has resulted in large gains to the agricultural sector. A fair share of these gains should be collected as tax revenue. To offset the potential increase in the cost of agricultural goods production, measures to boost agricultural yield should be implemented.

The implementation of the GST will also make an important contribution in the effort to mobilize additional revenue. Since it is a tax on consumption, the GST will raise national saving and make additional funds available for productive investment. Because it will involve a one-time increase in the overall price level, though, it is important that the GST be perceived as fair and efficient. Hence, there should be no "sacred cows". In other words, a uniform rate of GST should b applied to all goods and services, and exemptions should be kept to an absolute m mum. As higher tax rates encourage evasion, we recommend a low rate with as w an application as is feasible.

Other measures to expand the tax base should also be implemented. For example, incentives for tax should be based not only on revenue, but also on the number of assesses brought into the tax net.

Improved documentation of the economy helps broaden the tax base and make it more elastic. Certain aspects of the present tax system, however, discourage documentation. In particular, presumptive or withholding taxes, though administratively simple to collect, are especially damaging. These taxes hit only the large businesses, and create an incentive for smaller businesses to evade such taxes by not recording their transactions. Hence, removal of these administratively convenient but otherwise detrimental taxes is required. In place of presumptive taxes, the tax system should be restructured in favor of a value-added tax that would, by contrast, encourage documentation and record-keeping. documentation will also be enhanced by expanding the coverage of the GST.

The levy of excise duty gives an unfair advantage to small-scale manufacturers that do not record their transactions. These manufacturers are often less efficient than their larger, tax-paying competitors, to remove this unfair and costly advantage while improving the incentive to document transactions, excise duties on luxury item should be replaced with sales taxes at the import stage.

3. **<u>Making Local Manufacture Attractive</u>**

A critical factor influencing investment decisions is the perception of consistency and stability of government policies. While the overall macroeconomics adjustment program is well-focused, frequent changes in microeconomics policies undermine investor confidence and weaken investment activity in order to promote private investment in local manufacturing activity, the Government must adhere to consistent policies and resist pressures to make frequent and ad hoc changes in taxes and the legal environment governing economic investment.

Regulatory tax changes that result in "pin pricks" for the private sector must be eliminated and policies should be geared toward making it a "pleasure" to invest. For example, the change in income year of private companies introduced in the 1995/96 budget caused great disruption and adversely affected the corporate sector, particularly multinational companies. Also, the regulatory duty on imports and the 1 percent flood relief surcharges, also on imports, were imposed for specific purposes and their prolonged use weakens the Government's credibility. Finally, adhoc levies by the Government of Sindh - on imports and with aspect to professional tax rates under the Sindh Financial Act of 1994 - are in appropriate and should be reconsidered.

The program to liberalize the trade regime and reduce realiance on trade taxes is commendable. In the long run, it will help promote a more efficient and internationally competitive industrial sector. The sequencing of import duty reductions across the various product groups, however, will be critical in ensuring that sudden pressure on the balance of payments does not emerge. In this regard, Import duties and Sales taxes on capital goods, including spare parts, not manufactured in Pakistan should be reduced first. Indeed, a plan to eliminate altogether duties on raw materials and capital equipment should be adopted. Moreover, to ensure that local industry is at least on equal footing relative to foreign competitors, net protection inclusive of all levies, including sales and excise taxes, should be at least 25 percent.

The prospects of increased trade relations with India have attracted considerable media attention in recent months. While increased trade will involve considerable gains in the long run, care must be exercised in implementing freer trade, in particular, trade in raw materials and capital inputs would be liberalized first, and a reasonable period should be accorded to final goods manufacturers to adjust their production patterns before tariffs on finished products are reduced.

The current loophole in current trade policy under the guise of Afghan Transit Trade places local manufacturing activity at a considerable disadvantages. This avenue for free trade should be tightened immediately to ensure that only goods genuinely destined for Afghanistan are able to utilize this facility.

Equally important for investor confidence and making local manufacture more attractive is the perception of fairness and equitable treatment. Discriminatory tax or trade policies not only undermine productive investment, but also divert considerable resources into unproductive activity aimed at securing special treatment and privileges. To discourage such directly unproductive activity and to promote investor confidence, the Government should build a reputation of fairness and strive toward creating a level playing field for competing economic activities. In this regard, some specific example of unfair and discriminatory practices that presently exist are as follows:

a) *Exemptions from sales tax and excise duty are allowed in the free industrial* zones. These exemptions not only involve a loss in potential tax revenue, they also encourage inefficient firms to gain at the expense of efficient competitors. Furthermore, the intent of such exemptions- employment creation, for example is often lost. Indeed, even when such practices are successful in increasing employment, they often force out of business other firms that do not enjoy the same privileges, resulting in an employment loss. Hence, exemptions granted to the free industrial zones should be reviewed, leading to an equitable solution for investors.

   To the extent that such schemes serve macroeconomics objectives, including employment creations or the promotion of investment, more careful targeting of the schemes should be employed. Moreover, such incentives should be made available to all competitors on an equitable and non-discriminatory basis. For example. tax incentives to encourage investment should be set at levels that are competitive with other developing countries, and their duration should be consistent with the nature of the investment. Similarly, the objective of raising employment would be met more directly by programs to upgrade human capital.

(b) Within the banking sector, foreign banks face a withholding tax of 58 percent, compared 30 percent for local banks, on returns from treasury bill holdings. This implies a wedge of over 1/2 percent points in the cost of funds for foreign versus local banks. Moreover, investment banks face a lower income tax rate that commercial banks such discriminatory practices encourage inefficient activity and allow inefficient banks to maintain a disproportionately are share of market. Indeed, this discriminatory treatment results in funds being diverted from efficient projects to less efficient ones, thereby hampering overall economic performance.

(c) Withholding tax is levied at the import stage of trading companies, and this tax is the final discharge of tax liabilities. By contrast, manufacturing companies have the option of claiming these payments against their tax liabilities. This discriminatory practice should be withdrawn by allowing trade companies to also file their tax returns in the same manner as manufacturing companies.

(d) The imposition of excise duty in addition to a uniform sales tax is aimed at discouraging the consumption of luxury goods. There is no such justification, however, for the imposition of excise duty on essential consumer goods and capital goods such as paints; electrical wire and cables; detergents; toilet soaps and hygiene items; including powder; shampoos and creams. Thus excise duties on these goods should be withdrawn.

(e) For the tobacco industry, excise duty is levied at two stages. We opposed the principle of taxing at both raw materials and finished products stages. It is recommended therefore, that the levy of excise duty be converted a single stage.

(f) At present differential rates of tax-free applied to tin plates of "prime quality" and "second quality". However, customer authorities are not equipped with sufficiently sophisticated electronic equipment to determine the quality of tin plate consignments. Hence, either an expert panel comprising of tin plate specialists should be constituted and its verdict must be binding the customs authority, or the dual duty structure should be merged into a single duty rate applicable to all tin plates.

4. <u>Generating Foreign Exchange.</u>

Aside from the promotion of local manufacturing activity in general, particular emphasis must be placed on promoting export activity. In this regard trade policy should be focused towards identifying activities in which Pakistan has a comparative advantage. Once identified these activities should be promoted through the timely fixation of export rebates and quick disbursal of rebates. Moreover multinational corporation should be attracted by zeroing in on the need of those companies not presently operating in Pakistan.

Trade policy should also aim towards focusing on particular region in trade can be promoted. In particular, avenues for enhancing export opportunities with the central Asian states and Iran should be identified and exploited. Enhancing infrastructure to fulfill this aim should be accorded high priority.

Manufacturing activity in general export activity in particular will also be boosted by developing infrastructure, Infrastructure development should be ultimately be reflected in lower cost of power, transport, and port services. Indeed schemes aimed at promoting investment in a particular region should focus on the provision of adequate infrastructure facilities rather than tax concessions.

5. Human Resource Development

As regards human capital, vocational training facilities should be expanded, and labour laws should be liberalized. These changes will enhance labour productivity and rise the international competitiveness of Pakistan industry. Private sector involvement in human capital development should be encouraged by offering taxes incentives to firms that engage in vocational training. High quality post graduate educational facilities should also be upgraded, with a view towards developing 10,000 skilled managers to take up leader ship of manufacturing sector.

These proposals for tax and trade policy changes are intended to rejuvenate Pakistan Manufacturing sector and improve its competitiveness. To accomplish this objective, the Government should work together with the private sector to bring about a mindset change in the formulation of implementation of the policy environment. To this end, the OICCI offers its full support in working with the Government to achieve these national objectives.

FAX NO. 051-9215554

27th January, 1997

Mr. M. Amjad Virk
Secretary / Member Commission on Deregulation
Board of Investment
Government of Pakistan
Islamabad.

*Dear **Mr. Virk***

Further to our letter of 12th January, 1997 please find attached our thoughts on various controls which in our view impede the performance of the private sector. These are expressed under the following headings.

1. State Trade control
2. Price control
3. Credit control
4. Monopolies control
5. Promotional activity control
6. Oil Industry regulatory control
7. Brand protection & counterfitting
8. Infringement of copy right laws
9. Over protective labour laws
10. Visas for expatriates
11. Travel control
12. Industrial issues:
   A Policy issue on SRO'S (3)
   B General points for all industry (5)
   C Customs related issues (8)
   D Sales tax related issues (4)
   E Income tax related issues (2)
   F Excise duty related issues (8)
   G Local taxes issue (2)
13. Financial sector issues (6)

We trust these views will be presented at the 2nd meeting of the Commission or 28th January, 1997.

Regards

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

Attachments: 18

27th January, 1997

SUBMISSION TO DE-REGULATION COMMISSION

1. STATE TRADING

Equal opportunity should be provided to private sector in all fields of trading rather than restricting specified areas to public sector. This would create healthy competition and would control the price spiral.

2. PRICE CONTROL

Price Controls breed numerous malpractice and are a strong disincentive for new investment.

Pharma Industry

Pharmaceutical industry in Pakistan has been subjected to price control since last 25 years or so. Price are rigidly controlled by the Federal Ministry of Health and revisions in price are granted, if at all, after lengthy intervals which sometimes exceed a number of years. By the time price increase is given - the quantum of which is more often than not quite inadequate - costs have invariably gone up thereby necessitating new sets of applications to the Ministry for more price increase. Considering that there are over five thousand registered pharmaceutical products subject to price control involving many thousands of raw/packing materials, it is a Herculean task to revise the prices rationally at the appropriate time. It is, therefore, suggested that in view of:

a) Delinking of Pak Rupee from US Dollar and inflation which has resulted in steep depreciation of the Rupee against major foreign currencies,

b) Government's oft-stated aim to deregulate the economy by removing time-consuming and irksome controls, and

c) To encourage the pharmaceutical industry to organize its operations both in the short and long term more efficiently to meet the requirements of the expanding Pakistan market.

It is imperative that the industry be freed from the shackles of price control. Since there are already 240 licensed manufacturers including over 28 multinationals operating in the country, therefore, competition amongst them will ensure that prices remain at reasonable levels.

For the Pharma industry there is need for indexation of prices to inflation and to establish a code of conduct by the companies. The earlier verbal commitment for price increase on decontrolled products with effect from Ist July, 1996 was not adhered to. Subsequent written commitment from the Ministry of Health for price increases effective Ist September, 1996 for both controlled and decontrolled products has also not been honoured.

The Commission on De-regulation should urgently consider and approve:

a) The immediate de-regulation in letter and spirit of any and all existing retail price increase controls for the "De-controlled" category in order to provide badly needed relief for the beleaguered pharma industry.

b) That in future the annual price increase for the "Controlled" category of medicines should be calculated in a meaningful and equitable manner, inasmuch that the price increase should not be less than the actual inflation and devaluation rates prevailing at the time of the award, and not just calculated at a mere percentage of the formula worked out in SRO 1038 (1)/94 dated 16.10.1994.

c) The immediate withdrawal of the existing punitive levies and duties of:

   i) 10% Custom Import Duty
   ii) 10% Sales Tax
   iii) 2% PSI

   failing which an adequate retail price adjustment on all registered pharmaceutical products should be awarded by the government.

3. CREDIT CONTROLS

Credit Controls may be essential for guiding the course of any economy but the present controls in the country needs to be relaxed. The following suggestions deserve consideration:

a) Foreign industrial undertaking at present can only borrow as per formula which is in force for the last many years in spite of the prevailing inflation while the local investors can borrow without any limit. This is unfair. Restrictions on foreign investors should be lifted completely as this tantamounts to discrimination. The "L" Form controls of State Bank of Pakistan be abolished.

b) Banks should be allowed to operate on their own within broad parameters of reserve requirements and prudential regulations. Fixation of charges, interest rates on various deposits and lending should be left to them. Although the credit ceilings have been abolished State Bank of Pakistan still imposes restrictions.

4. MONOPOLIES AND RESTRICTIVE TRADE PRACTICES (CONTROL AND PREVENTION), 1970

Presently this Ordinance has no rationale in the country and creates repeatedly unnecessary unproductive work and should be withdrawn. This Chamber has made representations in this respect on a number of occasions without success. Since the economy of the country is in the initial stages of development hence capital accumulation is essential for investment. This Ordinance could serve useful purpose in countries where a sound industrial base exists and well developed financial market is functioning leading to apprehension of cartels and other unhealthy practices emerging to the detriment of the common man. This situation positively does not exist in Pakistan and as such this Ordinance instead of doing any good is creating hindrances and we repeat, has no place in our economy. In case Government insists in retaining this Ordinance, then the ceiling of gross assets in respect of Private Limited Companies (presently increased to Rs.300 Million gross) is considered inadequate. It should at least be automatically revised annually with the level of inflation applicable deflation of the Rupee in relation to the Dollar.

5. REMOVAL OF LEGAL RESTRICTIONS ON PROMOTIONAL ACTIVITY

Section 294 B of Pakistan Penal Code places restrictions on promotional activities such as offering gifts and reward to the trade or consumers to increase sales. If District Administrations give sweeping interpretation to this Section then even normal business practices such as trade discounts, dealer incentives, temporary price reduction can be prohibited. This has hampered the smooth flow of business activity. It is not the intention of Section 294 B to prohibit well accepted standard selling activities such as consumer promotions in which a small benefit is offered equally to all purchasers.

We would therefore request the Government to remove legal restrictions on normal promotional activities by withdrawing the Section 294 B which has been abused in the past.

6. OIL INDUSTRY - REGULATORY CONTROLS

Some of the existing regulatory controls and cumbersome procedures adversely affecting operations pertaining to Oil Industry are:

- The customs authorities classify equipment for oil and gas etc. under heading of such material which attracts higher rates of duty. It is proposed that CBR should classify Petroleum and Gas Well drilling equipment and components part thereof for the purpose of import duty all items which are imported on the recommendations of Director General Petroleum.

- The existing procedure of equipment imported for re-export and assignment of equipment imported for re-export is long drawn. It is suggested that a simplified procedure be evolved in this respect.

- Clearance from various authorities is required to obtain survey maps and aerial photographs. Similarly, clearance is required of technical papers for publication in foreign journals and presentation in foreign seminars. Such clearance procedures be reviewed.

7. BRAND PROTECTION & COUNTERFEITING

A critical feature of an economy which enables foreign investment is protection of the brands of the investing companies. Pakistan has a major control issue here. Investors will not bring their brands to Pakistan without a legal system which is able to enforce penalty on unscrupulous manufacturers who counterfeit these brands.

8. IMPROVEMENT OF COPYRIGHT LAWS

This is also a case of making the existing laws more effective and proper implementation.

9. OVERPROTECTIVE LABOUR LAWS THAT FRIGHTEN AWAY MUCH NEEDED PRODUCTIVE INVESTMENT

Overprotective Labour laws that do not encourage productivity and frightens away much needed productive investment. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcing adhoc and untimely increase in wages.

10. VISAS FOR EXPATRIATES

WORK PERMITS & VISAS FOR EXPATRIATES

The expatriates and members of their families working as technocrats and or at managerial level encounter following problems:

TRANSFER OF VISIT VISA

Visit visas cannot be converted into WORK VISA (WORK PERMIT) unless the expatriates, arriving on visit visa, go back to their home country and re-enter Pakistan after the respective Pakistan Embassy abroad change status of the visa. This being cumbersome, cause unnecessary delay in completion of their assignment within the specified period.

WORK VISA / PERMIT

WORK VISA holders are required to renew their work visas periodically. Previously it was for once in every two years. At present in certain cases is required at every three months.

Every WORK PERMIT holder has to obtain permission from the Ministry of Interior by reporting through local police for each exit and re-entry. Staff of multinational companies have to travel frequently and some times on short notices. The formality required in this respect is time consuming and causes delay and embarrassment as well.

INCOME TAX CLEARANCE CERTIFICATE

Income Tax Clearance Certificate has to be provided by the visa holder before leaving the country. Since their local sponsors / companies are made responsible under the Income Tax Act to deduct all tax liabilities at source, the individual expatriates worker should not be subjected to provide certificate while they leave country even if they are returning home on permanent basis.

11. TRAVEL CONTROL

Restriction on foreign travel to be removed.

Not more than one person is allowed to go to one destination for business travel purposes. The State Bank of Pakistan T-2 Form regime controls this. This needs to be reconsidered.

12. INDUSTRIAL ISSUES

A) POLICY ISSUES RELATING TO SRO'S

(i) SRO's reflecting change in policy should be promulgated alongwith the finance bill once a year. This will install greater discipline into the process and force a degree of planning in the overall process.

(ii) Frequently SRO's are issued to bring about changes in taxation and commercial policies, so that it is difficult for an investor to predict the investment climate for the foreseeable future. SRO's should therefore be reflection of balanced and well thought policies and should not be short term and must be adhered to at least upto the medium term.

(iii) SRO's involving duty exemptions or concessionaire duties should be abolished wherever possible as to create a neutral playing field.

B) GENERAL POINTS APPLICABLE TO ALL INDUSTRIES

i) SINGLE POINT INTERFACE BETWEEN GOVERNMENT & INDUSTRY

The Board of Investment and Ministries of Commerce, Industry and Investment should be amalgamated into a single Ministry. This would minimize bureaucratic delays and provide an efficient, streamlined interface between the Government and Trade and Industry.

(ii) UNIFORMITY IN INDIRECT TAXES BETWEEN IMPORTERS & LOCAL MANUFACTURERS

Anomalies of import duties on finished products and raw materials of the same product be removed wherever existent to protect the local industry from being out-priced by the imported finished product.

To cite an example highlighting such anomaly, in the fiscal budget 1996 / 97, duties on LAB were enhanced to custom duty (55%), regulatory duty (10%) and sales tax (23%). At the same time Sulphonic acid (soft) attracted CD (35%) RD (10%) and ST (15%), resulting in an anomaly such that the imported finished product is currently falling cheaper than the locally manufactured product. Our plea is that the duties on LAB should be revised downwards in line with that of Soft Sulphonic Acid or vice versa to save the local industry from collapse.

Taxes on imported products are currently calculated on the sum of the cost and excise duty amounts. This sum is the total cost to an importer and he subsequently adds on his profit margin in order to arrive at the retail price. Thus, he is taxed on costs only. However a local manufacturer is taxed on the retail amount - which includes his profit margin also. Thus, the local manufacturer is taxed on both costs and the profit margin, in essence paying more tax than the importer for any product. This may be remedied by adding on 25% to the sum of costs and duties for an importer in order to calculate his sales tax liability.

(iii) WATER & SEWERAGE CHARGES

Water and sewerage charges are payable to municipal corporations. These should be based on services provided. In many areas no sewerage line is provided and industries have to spend capital to make soak pits etc. In such cases the charges should be proportionately reduced.

(iv) ELECTRICAL INSPECTION

For those industries who generate their own power, the electrical inspection should be dispensed with.

(v) REFUND OF TAXES

Tax Refunds

a) Time limits for refund claims and recovery of the arrears are one (1) year and five (5) years, respectively. For the sake of simplicity and equitable justice, the time limits both for recoveries and refunds should be one (1) year.

b) Suitable compensation should be paid in case the refund is not settled within a limited time.

c) There is no set time-frame or formal procedure for the expeditious refund of excess custom duty paid owing to over-valuation by either the PSI Valuation Department or by Customs Valuation

C) CUSTOMS RELATED ISSUES

(i) TIME LIMIT FOR THE CLASSIFICATION OF IMPORTED GOODS BY INVESTORS

The conflict between the import classification used by the Customs Department and the importers themselves results in extensive delays. It is suggested that a 3 month limit be imposed to deciding the classification of the goods in question, in the event that the Customs Department should not be able to come to a decision, that of the importer should be used.

(ii) DETERMINATION OF IMPORT TRADE PRICES (ITP)

The pre shipment inspection scheme (PSI) introduced a procedure for valuation, and although trade had complaints about arbitrary uplift of import prices for CRF purposes, by and large it is considered a fair system. In cases of disagreement the appeal procedures needs to be improved and strengthened. In some cases, despite the Clean Report of Finding (CRF) customs insist on invoices being sealed in the presence of PSI companies, Provisional Certificate issued by PSI companies should be accepted.

For those items where PSI will not be carried out and CRF not issued, a fair system of ITP valuation needs to be established. This should be done after consultation with trade and industry and a standing committee consisting of customs and representatives of Commerce & Industry (FPCC&I, OICC&I or Chamber of Commerce, Karachi) be formed to do this work on and ongoing basis.

(iii) IMPORT OF GOODS ON CONCESSIONARY RATE OF DUTIES

Many industries are operating under the concessionary duty regime, some of the examples are the engineering industry, telecommunication industry, pharma industry and the petroleum industry.

Numerous SRO's apply to the concessions available to various industries, but in all such cases importers are required to submit bank guarantees / post dated cheques or company indemnity bonds, to the government for the difference in duty between the concessionary rate and the statutory rate of duty. Such guarantees are released upon certification of consumption of the materials.

In practice most operating companies find it very difficult to retrieve these guarantees in time even after the consumption certificates are submitted. Also in some cases officials designated for consumption certification work are either over worked or unable to cope with the work load causing unnecessary delays in the issuance of certificates. Furthermore the procedure to get the survey certificates for establishing consumption is too cumbersome and time consuming. The manufacturing unit applies for a survey in the " S " form. The procedure to get the factory surveyed and to establish entitlement of quantity of material to be imported is too time consuming. It is after this a survey certificate is issued.

The need for obtaining consumption certificates and the bank guarantees arises out of the apprehension, that the industrial raw material and or components will be misused and may be sold to the trade. These apprehensions are unjustified and the government should withdraw this control, as in any case these controls are inappropriately administered and do not achieve the desired result. Moreover the materials imported are not consumer items and can only be used for further manufacture and at best they may be used by a manufacturer other than the importer.

If for any reason the Government does not wish to rescind and do away with the bank guarantee then the second option is a self clearance procedure be adopted and controlled by the companies themselves and monitored by unscheduled audit by the customs department.

Generally the principle followed in allowing imports of materials on concessionary duties is that if materials are locally manufactured, then they are delisted from the concessionary SRO's in order to offer protection to local manufacturer of these materials. Despite this policy direction, there are several items which are locally manufactured and yet they have not been delisted for concessionary SRO's. Similarly there are items which are not manufactured in Pakistan, yet they are excluded from the provisions of the concessionary SRO's. Examples of such dichotomy are :

EXAMPLE ONE

SRO 501(1)94 dated 14.6.1994

All ratings of miniature circuit breakers, molded circuit breakers, air circuit breakers, parts of vacuum circuit breakers and SF6 gas filled capacitors are excluded. As these are not manufactured in Pakistan, they should be restored in the above SRO.

EXAMPLE TWO

SRO 1147 (1) /89 dated 22 . 11.1984
SRO 1200 (1) /96 dated 21 . 10.1996

Some materials for which unsubstantiated claims are made that they are made in Pakistan, are hastily removed from the concessionary SRO's without proper verification that these conform to approved quality specifications.

Examples of such action are aluminum collapsible tubes, gelatin capsules, roll on roll off pilfer proof caps and sorbitol solution.

EXAMPLE THREE

SRO 601(l)83 dated 10.6.1983

Both aluminum rod and copper rod of appropriate quality are now manufactured in sufficient quantity in Pakistan, and yet they have not been delisted from concessionary import of the above SRO.

EXAMPLE FOUR

SRO 279(1)94

Power generating projects are exempt under SRO 279 from customs duty for import of plant and machinery. Initially locally manufactured items were excluded, but SRO(1)95 dated 23.5.1995 deleted this restriction thereby compromising those industries who manufacture these items locally - Examples are electrical conductors, wire and cables.

SRO 280(1)94 dated 2.4.1994

In the case of RM and components imported for making power generating machinery, the locally manufactured items are kept out of the purview of SRO 280(1)/94 and do not qualify for concessionary rate of duty.

SRO 501 (1) 94

Local industry making DG sets is not allowed to import diesel engines, components, control units for DG Sets MCCB, modules and CPU for control DG sets on concessionary rate of duty and these should be included in SRO 501 (1) 94 as they are not locally manufactured.

iii) DETERMINATION OF LOCALLY MANUFACTURED ITEMS

C.G.O. 17 of 1994 is a reference document which enlists all items locally manufactured. In some ways it is vague and specifications are not clear and therefore subject to use of discretionary powers by customs.

There is need to have an ongoing review by an expert committee to establish that a product is locally made to appropriate specification, before it can be included in the C.G.O. Also with time new products are locally manufactured and these should be included. Many disputes are created and cause frustration. There should be an agreed efficient procedure for addressing such disputes by a review committee. In the petroleum industry such a review committee was formed consisting of DGPC, PPECA, customs and chaired by the Pakistan Engineering Board. There is need to make this committee more effective, neutral and independent and to extend this concept to other sectors like engineering, telecommunication.

iv) EXPORT RELATED & INTERNATIONAL TENDER IMPEDIMENTS

EXPORT REBATE

The current procedure for duty draw back on exports is complex as it involves completion of formalities which is cumbersome and time consuming. The settlement of duty draw back claims has taken more than a year as the Central Excise Department who is responsible for survey and inspection of the manufacturing site requires continuous follow-up for inspection and submission of final report. Thereafter the CBR processes the Export Rebate application and issues SRO for duty draw back rates based on which duty draw back claims are settled.

The current procedure should be simplified and there should be a maximum time limit of 3 months to settle the duty draw back claim.

Considerable delays are experienced in obtaining survey certificates for participating in international tenders under SRO 671(1)94 and also in availing facilities of imports under SRO 280(1) 94 dated 20.4.1994. The bonding procedure and conditions in SRO 499(1)95 dated 14.10.1995 are stringent and need to be simplified for promoting exports. The procedure outlined in SRO 677(1) 94 dated 3.7.1994 need to be emulated instead.

SRO 576(1)/74 dated 10.5.1974 which governs the temporary import of equipment for re-export, the retrieval of bank guarantees is problematic. Import of professional tools should be allowed to companies acting as contractors, to cover special tools and commissioning equipment.

SRO 597(1)/90 governs goods supplied against international tenders and exempts them from Sales Tax. This has been withdrawn in 1996 / 97 budget, putting the local industry to disadvantage.

SRO 667(1)94 dated 3.7.1994 has been withdrawn as has the sales tax exemption for goods supplied to power generating plants again putting the local industry to disadvantage.

SRO 517(1)/95 dated 14.6.1995 has been withdrawn as has the exemption of sales tax for engineering goods supplied to new projects and BMR projects, again putting the local industry to disadvantage.

Currently the procedure of re-export for cargo is very cumbersome and the importer for no fault of his, is exposed to a host of unfruitful formalities and permission required under the SRO 485 (I) /91 dated 30.5.1991. This SRO be amended in terms of administrative requirements and procedural complexities be substantially reduced and simplified.

v). <u>CONDITIONAL IMPORTS OF PHARMACEUTICAL RAW MATERIAL</u>

SRO 600(1)/96 dated 8.8.1996 puts restriction on import of pharmaceutical raw materials which has less than 75% shelf life. These need to be removed.

SRO 660(1)/96 dated 8.8.1996 regulates the imports of special pharmaceutical raw materials, procedure is too long and can take upto six months and CBR permission is required. This should be delegated to Ministry of Health.

vi. <u>WITHDRAWAL OF DUTY CONCESSIONS FOR EXPLORATION & PRODUCTION EQUIPMENT FOR PETROLEUM INDUSTRY</u>

Duty free imports were allowed to E&P companies under the Petroleum Policy and this was documented in SRO 367 (1)/94. This has since been withdrawn by first imposition of 5% regulatory duty in October 1995 and in June 1996 increasing this to 10%. Policy commitment must be adhered to.

vii. <u>LIQUID BULK CARGO</u>

The quantity physically landed in the shore tanks must be treated as the final quantity by customs for import duties. Customs invariably take either the excess quantity landed as per the Ship's ullage, the Bill of Lading quantity or the shore tank quantity, whichever is the highest into consideration for the assessment of duties.

The timings allocated for taking delivery of liquid bulk cargo is practically 10 AM to 4 PM which is inadequate and cost-ineffective as the Terminal - Infrastructure and transport-fleet remains unutilized at night. Delivery should be permitted on a round-the-clock basis.

Also the warehousing surcharge should be collected from the importer at the time of filing the Bill of Entry and should not be recovered prior to the discharge of cargo from the vessel as per the latest ruling. Under the latest ruling, discharge of a vessel's total cargo is being disallowed and made contingent upon payment of the 1% WHS. The inherent drawback in such case is that if all importers do not pay up this advance fee "immediately upon the berthing of the vessel" then the vessel likely to be subject to massive ship demurrage and is largely unfair to those importers who have already made their share of payment. Our plea is that this surcharge be collected at the time of filing the Bill of Entry.

D. SALES TAX MATTERS ISSUES

(i) SRO 130(1)92 dated 22.2.1992

Only 30 days are allowed for adjustment of credit note for returned damaged goods. These are insufficient and 90 days be allowed.

(ii) Enhanced documentation in the upstream engineering industry.

For the engineering sector, a lack of upstream documentation often entails that companies pay sales tax and excise duty on components purchased from local vendors but are unable to effect these levies against the sales tax paid on their finished products. An effort should be made to induct these local vendors into the organized, documented sector.

(iii) Printing of retail price

The amending introduced in Section 2 Sub-section 19 (A) of the Sales Tax Act makes it mandatory to print the Retail Price and the amount of Sales Tax on each packet cover or label of the article. Printing of the retail price at the point of manufacture on high-speed machines is complex and reduces productivity. Use of pre-printed packaging material reduces flexibility and at times involves substantial write-offs. It is therefore suggested that the retail price printing should not be mandatory.

(iv) Sales Tax General Order 1/95 dated 9.4.1995

The above general order laid down method of calculation of tax in those cases where the vendor has reduced taxable goods. This enables the principal to (i) supplement his own production and (ii) be eligible to claim and get input tax credit. By STGO 2 (9 6 dated 10.7.1996 STGO 1/95 has been rescinded depriving the registered manufacturer of a facility. It is suggested that the rescinded STGO 1/95 be reinstated.

E. INCOME TAX MATTERS ISSUES

(i) Coercive methods must not be adopted for tax recoveries. Demanding up front taxes even before appeals are board does not infuse confidence in tax papers. Examples can be provided.

(ii) Withholding tax exemption under Section 50

Withholding taxes should be resorted to only as a last resort as they are presumptuous in nature and discourage documentation.

Exemption certificates for Withholding Tax deducted under Section 50(4) should be valid for a one year period and not six months. In determining exemption criteria the tax refund receivable should also be considered.

For granting exemptions under Section 50(5) the insistence on L/c numbers is uncalled for.

F. CENTRAL EXCISE ISSUES

(i) Computerization of Central Excise records

Requirement of manual maintenance of record and accounts should be dispense with and manufacturer may be allowed to maintain their records on computers with built-in safeguards that prevent manufacturers from modifying the existing information without authentication by authorities.

Mode of collection of excise duty should be changed from daily to monthly basis to reduce daily duplication of transferring funds from our accounts to excise account. This can be managed like the sales tax collection system.

(ii) Duty on retail price

Calculation of excise duty on the duty which amounts to double taxation, therefore Section 4 (2) of C/E Act 1994 may be amended accordingly, e.g. Retail price excluding sales tax but including excise duty is subject to duty @ 10% in all cases where duty is charged as a percentage of the retail price under section 4 (2) of the Central Excise Act, 1944. Thus there is always excise duty on the element of excise duty already part of the retail price. The definition of retail price under section 4 (2) therefore, should be modified to exclude central excise duty alongwith the sales tax to avoid cascading of duty.

(iii) Rule 53-B

Restriction of removal of raw materials of excisable goods without permission of Assistant Collector should be removed or alternatively the powers of granting permission should be conferred to Superintendent of Central Excise.

(iv) Rule 51(i)

Requirement of serial numbering of small units / cartons is impractical and time consuming as sometimes it runs to millions and can not be easily controlled. Therefore it should be relaxed.

(v) Rule 13, 52B and 192

Supervision of excise staff on bonded removal should be discontinued as it attracts discretionary powers of excise officer which are liable to be misused and affect the smooth operation.

(vi) Rule 195 (i) (b)

Powers under rule 195 (i) (b) for granting permission for disposal of excisable goods should also be delegated to the Superintendent.

(vii) Rule 224

Restriction on removal of goods after 6 o'clock in the afternoon or Fridays and public holidays should be removed.

(viii) Central Excise General Order No. 1 of 1990

Paragraph 2 clauses (i, ii and iii) creates unnecessary complications in case of payment of duty on a price higher than printed on the products and is contrary to central procedure of obtaining permission from the Collector and repeated advertisement needs to be simplified.

G. LOCAL TAXATION ISSUES

(i) Rationalization of Octroi / District Export Tax

The structure of Octroi and District Export Tax is a major impediment to the movement of goods as currently Octroi (District Export Tax are being charged at different rates all over the country. These are determined by auction of octroi rights. Invariably one finds wide disparities in rates charged. These large differences affect decisions such as the location of a warehouse or a manufacturing facility where the duplication of payment involved at times needs to be rectified.

It is suggested that the Government should rationalize octroi / district export tax rates by fixing either slabs or maximum limits etc. These can take into consideration the location and economic status of a district.

Such rationalization will facilitate flow of investment to those areas which offer attractive infrastructure facilities and will not be distorted by octroi rates.

(ii) Transit Pass Facility

All imports destined for up country locations have to be routed through KMC limits. The current procedure for such permission is cumbersome, time consuming and a barrier to the free movement of goods. In addition, such permission is granted upon full octroi deposit which is refundable. The refund of such deposits runs into millions and takes years to settle.

13. FINANCIAL S CTOR ISSUES

(i) LEASING COMPANIE5 ISSUES

Under SR0 345, leasing Companies (by implication Modarba's) are permitted to lease buildings to clients for their own use. However, prudential regulations which control NBFI (leasing Modarba) prevent real estate dealing. Dichotomy needs to be removed.

(ii) UNIFORMITY OF TAX RATE AMONGST BANKS

Investment banks taxed at rate 33%, against a tax rate of 58% for commercial banks.

(iii) UNIFORMITY OF TAX RATE ON SECURITIES

Foreign banks pay 58% Withholding Tax under Section 50(2) on interest on securities, whereas local banks pay 33% on the same.

(iv) PROVISION FOR DOUBTFUL DEBTS - BANKS

In 1983, the CBR notified the tax assessment authorities that provisions for bad and doubtful debts by public sector banks as determined by the State Bank of Pakistan be allowed as tax deductible expenses. In 1992, this was extended to foreign, privatized and private banks. Tax authorities however continued to disallow bad debt provisions as deductible expenses. In 1996 , a regressive approach was taken by the authorities and only public sector banks were allowed to treat their bad and doubtful debt provisions as tax deductible. This inequity needs to be addressed and the other banks treated at a par with the public sector banks.

(v) SIMPLIFICATION AND CLARIFICATION OF SHARE REGISTRATION PROCEDURE FOR FOREIGN INVESTORS

In order for shares to be registered in their name, investing entities currently need to submit several documents including a Power of Attorney, Memorandum of Association, Articles of Association, Certificate of Incorporation and a Board Resolution, and these documents need to be notarized and consulorised in their country of incorporation. In addition, the regulations are unclear as to the specific documents required from various types of business entities.

This cumbersome process may be simplified by clearly specifying the documents required from various types of business entities. Moreover, it would be much more efficient for concerned if the number of documents is decreased, or one amalgamated document-duly notarized and consulorised - accepted for all purposes.

(vi) <u>ARBITRARY TAXATION OF FUNDS ROUTED THROUGH THE BANKS</u>

Sub Section 2b of Section 50 was introduced through the Finance Act 1994 to tax funds which are routed through banks but have remained untaxed. The problems with the measure are :

a) It discourages people from using banks and is thus detrimental to the economy's documentation.

b) It is difficult for banks to ascertain the applicability of Withholding tax on such funds.

c) Not all funds routed through banks are revenue related - e.g., loan disbursals.

Sub-section 2b to Section 50 should be amended accordingly.

5th June, 1996

A delegation from the CONFEDERATION OF INDIAN INDUSTRY (CII) consisting of the following members visited the Chamber on May 22, 1996:

1. MR. AVININDER SINGH	**Chairman CII Renewab Energy Committee and Managing Director Indian Industries Limited**
2. MR. VIJAI KAPUR	**Chairman CII National Committee on Telecommunication and Advisor Usha India Limited**
3. MR. SUSHANTA KUMAR SEN	**Senior Director Confederation of Indian Industry**
4. MS. SUBAH RAJAN TAMPI	**Deputy Director & Mission Manager Confederation of Indian Industry**

(Mr. Manzur-ul-Haq, Managing Director, KSB Pumps Company Limited,Lahore also attended in his capacity as the host for the Indian Delegation)

Undernoted members of the Chamber attended the meeting:

1. MR. AZHAR HAMID	**ANZ GRINDLAYS BANK**
2. MR. NISAR A. MEMON	**IBM SEMEA**
3. DR. D. M. WOODROFFE	**HUB POWER CO.**
4. MR. KAMAL SHAH	**SINGER**
5. MR. JAVAID ANWAR	**BOC PAKISTAN**
6. MR. F. A. HASHIMI	**GESTETNER**
7. MR. S. Q. SHAREEF	**PROCTER & GAMBLE**
8. MR. MASOOD ANWAR SHAH	**OTSUKA**
9. MR. MOHAMMAD ASLAM	**OICC&I**

Mr. Azhar Hamid presided over the meeting.

After the introduction of each member, the Chairman gave a brief review about the history, background and activities of the Chamber and the pivotal position the foreign investors have in the present scenario of industrial and business activities prevailing in the Country vis a vis the brilliant track record of Chamber Members towards development of infrastructure for trade and industry in the country

Leader of the visiting team, Mr. A. Vivinder Singh, briefly describing CII activities, said that the strength of CII lies in its network of offices both within the Country and abroad. With 23 offices spread across India, eight offices overseas, manned by a strength of over 300 staff, CII is truly the apex organization representing industry in India. CII is a reference point in Indian industry and the international business community. It adopts an aggressive approach and closely interacts with the Government on vital policy issues related to industry and trade. On the international front, the Confederation has a working relationship and Memoranda of Understanding with counterpart organizations in various Countries. CII also coordinates the visits of high ranking delegations from abroad, leading industrial organizations and financial institutions.

Mr. Singh referred the present trend in Indian Government's policy of opening up their trade & finance and industrial activities at par with other developing/ed Countries in general and with the neighbors in particular. CII has, therefore been quite active on the SAARC front. Believing in the multilateral cooperation and from their view point, CII endeavours to bring all the Countries of the region together.

In the end, Mr. A. Vivinder Singh thanked the Overseas Investors Chamber of Commerce & Industry for providing an opportunity to explain the purpose of his mission and exchange views though very short notice was provided.

A lively **question and answer** session followed.

1. Inviting questions, Mr. Azhar Hamid briefly explained that imbalance in the size and scope of trade and industry in the two Countries may create an impression amongst Pakistani industrialists that they will be the sufferers once India / Pakistan trade links are established. Consensus on this point was that there are chances that activities in certain sector may be overshadowed by others who are better developed but in general opening up of the trade will be beneficial for both countries. In this context, Mr. Kamal Shah explained that so far Multinational Companies are concerned it will be more convenient for them to avail better opportunities from either Country.

2. Mr. Nisar Memon asked about the status of this mission. Leader of the mission explained that it is neither State sponsored nor representative of any particular Industry. It does not have any political motive either. It is as a part of the efforts of the Confederation of Indian Industry to bring the two Countries closer so far business is concerned. The objective thus achieved, in their opinion, would automatically reduce the element of fear presently prevailing between the two business communities.

Responding to another question, Mr. Vijay ~~Kumar~~ Kapoor admitted that Indian companies are generally larger in size but this does not necessarily disadvantage Pakistani industries. The feed back from Indian industry regarding trade relations between the two Countries is positive in so far as Pakistan offers a different market and likewise the Indian market will offer new opportunities for Pakistani businesses.

He added that the combined market offered sufficient opportunities for business houses of both Countries of viable co-existence.

Summing up discussions, leaders of the two teams agreed:

- Multinational Companies generally have competitive advantage over local enterprise and should be able to derive optimum benefit when trade links are formally established.

- There is a need to develop suitable database on industries on both sides of the border which could be circulated and distributed amongst interested parties for maximum impact.

- Governments can only provide a basic framework for trade development but it will be the initiatives of the local trade and commerce bodies in both Countries which will promote and foster trade and economic relations.

- Mr. Azhar Hamid suggested that a formal round-table meeting should be convened later in the year where, apart from trade bodies, attendance of government functionaries from both Countries should be requested. It was agreed that this suggestion should be pursued by both the OICC&I and CII.

At the end of the meeting, souvenirs were exchanged.

Mr. Azhar Hamid thereafter hosted a Lunch at the Sir 'h Club for all participants.

MOHAMMED ASLAM
DEPUTY SECRETARY

CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR THE YEAR 96-97

Chamber's representation on Government Semi-Government, Autonomous Bodies and various Sub Committees of the Federation for the year 1996 - 97 ~~was considered~~ and the following approved:

REPRESENTATION 1996-97

1.	*Managing Committee of the Federation of Pakistan Chambers of Commerce & Industry*		*President* *Vice President*
2.	*Board of Trustees - Karachi Port Trust*		*Vice President*
3.	*Board of Directors - Karachi Electric Supply Corporation*		*President*
4.	*Board of Governors-Foreign Trade Institute of Pakistan*		*President*
5.	*Board of Governors Pakistan Institute of Management*		*Mr. Ian Sangster*
6.	*National Engineering Manufacturers Export Council*		*Mr. Martin Sulger*
7.	*Sindh Industries Facilities Board*		*Mr. Kamran Y. Mirza* *Mr. Martin Sulger*
8.	*Sindh Social Securities Board*		*Chairman of the Standing Sub-Committee on Labour-* *Mr. Younas Khan*
9.	*Advisory Council for the Finance Division*	 *(Alternate)*	*President* *Vice President*
10.	*Advisory Council for the Ministry of Commerce*	 *(Alternate)*	*President* *Vice President*
11.	*Advisory Committee for the Regional Commissioner of Income Tax and Wealth Tax*	 *(Alternate)*	*Chairman of the Standing Sub-Committee on Taxation-* *Mr. Fuad Hashimi* *Co-Chairman of the above*

12. Karachi Port Trust Council		*Chairman of the Standing Sub-Committee on Port Trust & Communication- Mr. M. Moonis*
	(Alternate)	*Co-Chairman of the above*
13. Karachi Dock Labour Board		*Chairman of the Standing Sub-Committee on Port Trust & Communication- Mr. M. Moonis*
14. Merchant Navy Club		*Mr. Moin M. Fudda - Member Managing Committee*
15. Managing Committee of the Employers Federation of Pakistan		*Chairman of the Standing Sub Committee on Labour- Mr. Younas Khan*
	(Alternate)	*Mr. Khalid Osmani - ICI*
16. The Institute of Chartered Secretaries and Administrators UK (Pakistan Chapter)		*Mr. Moin M. Fudda - Member Managing Committee*
17. Member of Governing Body - Workers Welfare Fund		*Chairman of the Standing Sub-Committee on Labour- Mr. Younas Khan*
18. Advisory Committee on Customs & Sales Tax		*Chairman of the Standing Sub-Committee on Commercial Matters- Mr. Ian Sangster*
	(Alternate)	*Co-Chairman of the above Sub Committee*
19. Consultative Committee on Industrial Research		*Chairman of the Standing Sub-Committee on Industrial Policy- Mr. Kamran y. Mirza*
	(Alternate)	*Co-Chairman Mr. Ian Sangster*
20 Export Processing Zone Authority		*Chairman of the Standing Sub-Committee on Commercial Matters Mr. Ian Sangster*
21. Executive Committee of Bankers State Bank of Pakistan		*Chairman of the Standing Sub-Committee on Banking & Finance- Mr. Sajjad Razvi*
	(Alternate)	*Co-Chairman of the above Sub-Committee*

22. *Valuation Advisory Committee (ITP) of Collector of Customs Valuation*		*Mr. Sarfrazuddin - Philips* *Mr. Moonis - Pakistan Tobacco* *Dr. A. Bandarnaike - Lever's*
23. *Government of Sindh Labour Advisory Board*		*Chairman of the Standing Sub-Committee on Labour-* *Mr. Younas Khan*
24. *National Credit Consultative Council (NCCC)*		*Chairman of the Standing Sub-Committee on Banking*
	(Alternate)	*President of the Chamber*
25. *Pakistan Environmental Protection Council (PEPC)*		*Chairman Standing Sub-Committee on Envorenment* *Mr. D. M. Woodroffe*
	(Alternate)	*Co-Chairman-* *Mr. Zaffar A. Khan*
26. *Technical Experts Committee of the Ministry of Environment*		*Dr. Naveed Ahmed (HUBCO)*
27. *Committee of Investment (Sindh)*		*President*
	(Alternate)	*Vice President*
28. *Provincial Environment Monitoring Committee on NEQS*		*Mr. Zaffar A. Khan* *Co-Chairman Standing Sub Committee for Environment*

NOMINATIONS OF CHAMBER'S REPRESENTATIVES TO FPCC&I MANAGING COMMITTEE & GENERAL BODY FOR THE NEXT TWO YEARS TERM BEGINNING 1ST JANUARY, 1996.

- MANAGING COMMITTEE OF FPCC&I	*President* *Vice President*
- GENERAL BODY OF FPCC&I *Representing Trade*	*Mr. Moin M. Fudda - Member Managing Committee* *Mr. Ian Sangster - Member Managing Committee*
Representing Industry:	*Mr. Kamran Y. Mirza* *Mr. M. U. Kleinhenz* *Members Managing Committee*

- Representation of Zonal Offices of FPCCI

At the request from the Federation of Pakistan Chamber of Commerce & Industry to nominate Chamber Representative for Zonal Office of FPCC&I, the Managing Committee agreed that a representative of ICI Pakistan be nominated to be the Chamber's representative for Zonal Office of the FPCC&I at Lahore.

CHAMBER'S STANDING SUB COMMITTEES

1996-97

BANKING AND FINANCE

MR. SAJJAD RAZVI	*CHAIRMAN*	*CITIBANK*
MR. ZAHID RAHIM	*CO-CHAIRMAN*	*STANDARD CHARTERED BANK*
MR. ATIF BAJWA	*MEMBER*	*ABN AMRO BANK N. V.*
MR. TAWFIQ A. HUSAIN	"	*AMERICAN EXPRESS BANK*
MR. AZHAR HAMID	"	*ANZ GRINDLAYS BANK PLC*
MR. S. ALI RAZA	"	*BANK OF AMERICA*
MR. B. H. DOLE	"	*BANK OF CEYLON*
MR. KENICHI NAKAGAWA	"	*BANK OF TOKYO – MITSUBISHI*
MR. ZAKIR MAHMOOD	"	*BANQUE INDOSUEZ*
MR. M. YOUNAS KHAN	"	*DEUTSCHE BANK*
MR. KHAWAJAZAFARULLAH	"	*DOHA BANK*
MR. KEVIN FLANNERY	"	*EMIRATES BANK*
MR. MUNEER KAMAL	"	*FAYSAL BANK*
MR. M. HAROON AHMED	"	*HABIB BANK A.G.*
MR. NICHOLAS CHERRILL	"	*HONGKONG & SHANGHAI BANK*
MR. SHAFAAT A. SIDDIKY	"	*I F I C*
MR. MIRZA SALEEM BAIG	"	*MASHREQBANK PSC*
MR. FASIAR RAHMAN	"	*RUPALI BANK*
MR. SANDY GILLIO	"	*SOCIETE GENERALE*
MR. HUMAYUN ZIA	"	*TRUST BANK*

COMMERCIAL & INDUSTRIAL MATTERS

MR. I. S. SANGSTER	*CHAIRMAN*	*LEVER BROTHERS*
MR. KAMRAN.Y. MIRZA	*CO-CHAIRMAN*	*ABBOTT*
MR. ERIC JANSSENS	*MEMBER*	*BASF*
MR. S.A. HADI	"	*BOC PAKISTAN*
MR. ROBERT JONES	"	*CADBURY PAKISTAN*
MR. TARIQ KIRMANI	"	*CALTEX OIL*
DR. NIGHAT PERVEEN	"	*GLAXO WELLCOME*
DR. MAHMOOD SAEED	"	*ICI*
MR. SARFRAZUDDIN	"	*PHILIPS ELECTRIC*
MR. SOHAIL W. SIDDIQUI	"	*SIEMENS*

CORPORATE LAW

DR. M. S. HABIB	*CHAIRMAN*	*GLAXO WELLCOME*
MR. TARIQ AMIN	*CO-CHAIRMAN*	*RHONE POULENC GROUP*
MR. ALI AAMIR	*MEMBER*	*ANZ GRINDLAYS*
MR. QAZI SAJID ALI	"	*BASF*
DR. NIGHAT PERVEEN	"	*GLAXO WELLCOME*
MR. S. K. HUSSAIN	"	*HUB POWER*
MR. SHEIKH MOHAMMAD ASLAM / MS. NAUSHEEN AHMAD	"	*ICI*
MR. SAEED HAIDER	"	*J & P COATS*
MR. SAEED AKHTAR	"	*PAKISTAN PETROLEUM*
MR. N. HAQ	"	*PAKISTAN TOBACCO*
MR. S. HASHIM ISHAQUE / MS. FAWZIA KAZMI	"	*SHELL*

ENVIRONMENT

MR. D. M. WOODROFFE	*CHAIRMAN*	*HUB POWER*
MR. ZAFFAR A. KHAN	*CO-CHAIRMAN*	*ENGRO*
MR. S. MUSHARRAF ALI	*MEMBER*	*ABBOTT*
MR. TARIQ ATAULLAH	"	*CIBA-GEIGY*
MR. RASHID ALI	"	*CPC RAFHAN*
DR. NAVEED AHMAD	"	*HUB POWER*
DR. MAHMOOD SAEED	"	*ICI*
MR. MUJIBUR REHMAN	"	*LEVER*
DR. A. M. DEVINE	"	*SHELL*
MR. SOHAIL W. SIDDIQUI	"	*SIEMENS*
MR. NAVED A. ZUBAIRI	"	*UNION TEXAS*

INSURANCE

MR. MOIN M. FUDDA	*CHAIRMAN*	*COMMERCIAL UNION*
MR. AZHAR A. MALIK	*CO-CHAIRMAN*	*ICI*
MR. MOHAMMAD ASLAM	*MEMBER*	*BOC*
MS. ZEHRA NAQVI	"	*CIGNA*
MR. ABDUR RAHIM	"	*COMMERCIAL UNION*
MR. K. MOAZZAM REHMAN	"	*ENGRO*
MR. A. A. DANI	"	*GLAXO WELLCOME*
MR. BRIAN C. MURPHY	"	*NEW HAMPSHIRE*
MR. JAVED IQBAL	"	*PHILIPS*
MR. AHMED SALAHUDDIN	"	*ROYAL EXCHANGE*
MR. FEROZE COWASJI	"	*SHELL*
MR. ARIFUDDIN AHMED	"	*UNION TEXAS*

LABOUR

MR. M. YOUNAS KHAN	CHAIRMAN	DEUTSCHE BANK
MR. KHALID B. OSMANY	CO-CHAIRMAN	ICI
MR. KHALID RAFIQUE	MEMBER	BOC
MR. H. A. ATHER	"	CALTEX
MR. TARIQ FEROZ	"	CITIBANK
MR. SALIM AZHAR	"	ENGRO
MR. A. H. RATHORE	"	GLAXO WELLCOME
MR. A. H. MEMON	"	LEVER
MR. P. ADAMS	"	PAKISTAN TOBACCO
MR. HASAN MADNI	"	SHELL
MR. ANJUM AMIN	"	UNION TEXAS

PORT TRUST & COMMUNICATION

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. S. H. A. BUKHARI	CO-CHARIMAN	MACKINNON
MR. S. A. HADI	MEMBER	BOC
MR. SAJID AHMED	"	ENGRO
MR. SHAHID SIDDIQUI	"	HINOPAK
MR. S. H. JAVED	"	HOECHST
MR. M. R. MONEM	"	M-1 OVERSEAS
MR. S. M. MOONIS	"	PAKISTAN TOBACCO
MR. ARSHAD SAID	"	SHELL
MR. SADIQ HAFIZ	"	UNION TEXAS

TAXATION

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASHRAF BAWANY	MEMBER	BOC
MR. IFTEKHAR ALAM	"	COMMERCIAL UNION
MR. A. A. DANI	"	GLAXO
MR. WAQAR A. MALIK	"	ICI
MR. FAROOQ NAZIR	"	LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY	"	LAKSON TOBACCO
MS. FARAH QURESHI	"	MACKINNON
MR. S. HASHIM ISHAQUE / MR. TRUDY TAYLOR	"	SHELL

ADMINISTRATION

MR. T. V. HIGGINS
MR. S. NASEEM AHMAD
DR. M. S. HABIB
MR. I. S. SANGSTER

2nd April, 1996.

Minutes of the Meeting of all
Sub Committees Chairman / Co-Chairman
held on 1st April, 1996 at 12:30 PM
at Reckitt & Colman, Head Office

PRESENT:

MR. TARIQ IKRAM	IN CHAIR	
MR. TARIQ AMIN	CHAIRMAN	CORPORATE LAW SUB COMMITTEE
MR. MOHAMMAD ASLAM	CO-CHAIRMAN	
MR. S. H. A. BUKHARI	CO-CHAIRMAN	PORT TRUST & COMMUNICATION SUB COMMITTEE
MR. AZHAR HAMID	CHAIRMAN	BANKING & FINANCE SUB COMMITTEE
MR. YOUNAS KHAN	CHAIRMAN	COMMERCIAL MATTERS SUB COMMITTEE
MR. IAN SANGSTER	CO-CHAIRMAN	
MR. MARTIN SULGER	CO-CHAIRMAN	INDUSTRIAL POLICY SUB COMMITTEE
MR. FUAD HASHMI	CO-CHAIRMAN	TAXATION SUB COMMITTEE

LEAVE OF ABSENCE:

DR. M. S. HABIB	CHAIRMAN	INDUSTRIAL POLICY SUB COMMITTEE
MR. MOIN FUDDA	CHAIRMAN	INSURANCE SUB COMMITTEE
MR. AZHAR MALIK	CO-CHAIRMAN	
MR. M. MOONIS	CHAIRMAN	PORT TRUST & COMMUNICATION SUB COMMITTEE
MR. S. ALI RAZA	CHAIRMAN	TAXATION SUB COMMITTEE

President invited discussion on the Budget and the Trade Policy proposals. The recommendation of the Chamber Standing Sub Committees on Taxation and Commercial Matters were tabled.

Secretary General's note on macro points to be raised at Advisory Council meeting was also tabled.

President invited discussion on who should be addressed, how it should be done, and when it should be done.

It was agreed that an approach be made to Mr. V. A. Jafarey for a meeting in Islamabad any time between 21st to 24th April, 1996. Mr. Jafarey be requested that Secretary Finance and Central Board of Revenue's Chairman also participate in this meeting.

Chamber should send written proposals a few days in advance of the proposed meeting and send to them to Mr. V. A. Jafarey in Islamabad.

It was also suggested that Mr. Jafarey be requested to appoint a coordinator from the Government's side as a follow up to the meeting.

It was agreed that the macro issue that need to be raised be identified first, and thereafter work should be done on preparing proposals to support specific issues.

The following were identified as the macro issue which need to be addressed :

1. Revenue generation
   - Agriculture Tax

2. Documentation of economy

3. Level playing fields
   - Rural area incentives
   - Anomalies in tariff
   - Net protection to local industry vis-a-vis imports

4. Macro fiscal management
   - Inflation
   - Savings rate
   - Credit / monetary expenses
   - Budget deficit

5. Export enhancement and import substitution

6. Infrastructure
   - High cost of electricity
   - High cost of ports

7. Health and Pharma Industry

8. Productivity
   - Labour Laws
   - Vocational training
   - Cost of production

9. Liberalization
   - Corporate Laws and Capital Formation

It was also agreed that a Working group be formed to restructure the recommendations under the above macro headlines.

The Working group to consist of the following :

Mr. Ian Sangster - Lever Brothers

Mr. Fuad Hashmi - Gestetner

Mr. Isar Ahmad - Reckitt & Colman

Dr. Asim - Economist ABN Amro Bank

The first meeting of the Working group to be held on 2nd April, 1996 at 3 PM. The Working group will present its recommendations to a meeting of Chairman / Co-chairman of all Chamber's Standing Sub Committees on or before the 14th April, 1996 (Sunday).

The re-commendations of the Chairman group to be ratified by the Managing Committee on 16th April, 1996. A formal presentation for the Government of Pakistan be prepared thereafter to be presented in Islamabad between 21st to 24th April, 1996.

Meeting closed with vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

13th November, 1996

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEES FOR COMMERCIAL MATTERS, INDUSTRIAL POLICY AND TAXATION HELD ON TUESDAY 12TH NOVEMBER, 1996 AT 10 AM IN THE CHAMBER'S PREMISES

PRESENT:

MR. I. S. SANGSTER	CHAIRMAN	LEVER BROTHERS
MR. F. A. HASHIMI	CO-CHAIRMAN	GESTETNER
MR. S. A. HADI (REP. BY MR. KAMALUDDIN AHMED)		BOC
MR. SARFARAZUDDIN		PHILIPS

INDUSTRIAL POLICY:

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. M. HAMID		AEG
MR. ERIC J. JANSSENS		BASF
MR. ROBERT JONES		CADBURY
MR. SARFARZUDDIN		PHILIPS
MR. SOHAIL W. H. SIDDIQUI		SIEMENS

TAXATION:

MR. FUAD A. HASHIMI (IN CHAIR)	CHAIRMAN	GESTETNER
MR. AZHAR MALIK	CO-CHAIRMAN	ICI
MR. A. A. DANI		LEVER BROTHERS
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON
MR. AZIZ A. VAZIR		ROCHE
MR. AKBAR AZIZ (INVITEE)		CITIBANK
MR. AAMIR NIAZI		BOC

LEAVE OF ABSENCE:

MR. TARIQ KIRMANI	CALTEX
DR. MAHMOOD SAEED	ICI
MR. R. L. WESTLEY	SHELL
MR. D. ANSARI	SIEMENS
MR. M. H. MANSURI	WELLCOME
MR. S. SHAUKAT ALI	WYETH

INDUSTRIAL POLICY:

MR. MARTIN P. SULGER	**CO-CHAIRMAN**	**SIEMENS**
DR. NIGHAT PARVEEN		**GLAXO**
DR. MAHMOOD SAEED		**ICI**
MR. JAMIL S. HUSSAIN		**MERCK SHARP**
MR. R. L. WESTLEY		**SHELL**

TAXATION:

MR. ASHRAF BAWANY	**BOC**
MR. IFTIKHAR ALAM	**COMMERCIAL UNION**
MR. S. HASHIM ISHAQUE	**SHELL**

The Chairman explained the purpose of calling the joint meeting of the three Standing Sub Committees.

Mr. Ian Sangster also gave the background to the events leading to the calling of this meeting. The three Chairman who met earlier on this morning were of the view that the overlapping functions of the three Sub Committees need to be rationalized.

Mr. Fuad Hashimi invited discussion on this matter. Many members came forward with suggestions in the matter. After listening to all the participants, it was agreed as follows:

a) To recommend to the Managing Committee that the Standing Sub Committee for Commercial Matters and the Standing Sub Committee on Industrial Policy be merged together.

b) All matters relating to tariff anomalies be addressed by the Committee formed after the merger. All matters relating to tax policy continue to be addressed by the Taxation Sub Committee.

c) It was agreed that the anomalies resulting in disadvantage to the local industry need to be focussed in more details. For this purpose five industry groups were constituted to make suitable recommendations:

1. ENGINEERING & INDUSTRIAL PRODUCT GROUP

MR. SARFRAZUDDIN	PHILIPS
MR. SOHAIL W. H. SIDDIQUI	SIEMENS
MR. M. HAMID	AEG

2. CHEMICALS INCLUDING PAINTS, FERTILIZERS & PESTICIDES GROUP

MR. ERIC JANSSENS	BASF
MR. AZHAR MALIK	ICI
MR. AMIR NIAZI	BOC

3. TOBACCO & CONSUMER PRODUCTS GROUP

MR. FAROOQ NAZIR	LEVER BROTHERS
MR. TASLSEEMUDDIN BATLAY	LAKSON TOBACCO

4. PHARMA GROUP

MR. AIJAZ KHAN	WYETH

5. OIL, GAS & ENERGY GROUP

MR. HASHIM ISHAQUE	SHELL
MR. FAROOQ KERMANI	CALTEX

The five industry groups to submit recommendations for the Sub Committee's consideration by end November, 1996.

With regard to the issues arising out of the mini budget, it was agreed that the Withholding Tax issue will be looked into by the Taxation Sub Committee.

The 2% service charge payable on account of PSI companies, tantamounts to additional tax burden and should be looked into by the Industry Groups addressing the tax anomalies.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

30th January, 1996.

MINUTES OF THE MEETING OF
CHAMBER'S ADMINISTRATION SUB COMMITTEE
HELD ON SUNDAY 28TH JANUARY, 1996
AT 2:30 PM IN THE CHAMBER'S PREMISES

PRESENT:

MR. TARIQ IKRAM	**PRESIDENT**
MR. T. V. HIGGINS	**VICE PRESIDENT**
MR. S. ALI. RAZA	**MEMBER**
MR. I. S. SANGSTER	**MEMBER**

LEAVE OF ABSENCE:

MR. M. S. HABIB	**MEMBER**

Proposals for the new plant for **Air Conditioning the Chamber's Building** was considered.

Letters from the Consultant, FND dated 29th November, 1995, 18th and 27th January, 1996 were tabled for discussion.

After due consideration, it was resolved to accept the recommendations of the Consultant as outlined in Paragraph 3 of their letter of 27th January, 1996. Secretary General was authorized to go ahead and place the order for imported equipment and local supply and installation for a total cost of Rs.6,555,950.

The progress of the **Workshop planned at Bhurban** was then discussed.

Secretary General tabled for the meeting a revised cost profile. It was agreed that participants should be charged Rs.75,000 to recover the cost in full.

President informed the meeting that he is in the process of finalizing the letter to prospective participants and is in discussion with Mr. Omar Saqib and Jack Weber.

It was also agreed that the Hotel booking at Bhurban to be without meals. The Two Lunches and Dinners on the 5th and 6th March to be sponsored by the following:

1. **Shell Pakistan Limited**

2. **Reckitt & Colman of Pakistan Limited**

3. **Rhone Poulenc**

4. **Bank of America NT&SA**

It was also agreed that the workshop would finish at 1 PM on 7th March to enable participants to return to Islamabad for the return flight on the same evening.

President / Secretary General to write to the Ministry of Finance asking them to reconfirm the names of the Government participants and also to pay the seminar fees on the agreed rate.

The meeting closed with the vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

24th October, 1996

MINUTES OF THE MEETING OF CHAMBER'S ADMINISTRATION SUB COMMITTEE HELD ON THURSDAY 10TH OCTOBER, 1996 AT 11 AM IN THE CHAMBER'S PREMISES

PRESENT:

MR. T. V. HIGGINS	**PRESIDENT**
MR. S. NASEEM AHMAD	**VICE PRESIDENT**

LEAVE OF ABSENCE:

DR. M. S. HABIB	**MEMBER**
MR. I. S. SANGSTER	**MEMBER**

1. SECRETARY GENERAL'S COMPENSATION:

Compensation of the Secretary General including Bonus payments was reviewed and suitable recommendations agreed for the approval at the next Managing Committee meeting.

2. RENEWAL OF LEASE OF CHAMBER'S OFFICE BUILDING TO ORIX LEASING

Secretary General tabled letter dated 6th October, 1996 from Orix Leasing Pakistan Limited seeking renewal of lease for five years, instead of the three years proposed the Chamber. The Sub Committee agreed to recommend the renewal of the lease for five years, incorporating an initial increase of 25% in the rental value for the first year, and 15% increase thereafter in each subsequent year.

3. REVIVAL OF ANNEXE BUILDING PROPOSED CONSTRUCTION

Secretary General explained the proposed construction of the Annexe Building. A visual of the proposed building was presented on animated computer model. A site inspection was also done. Secretary General explained Orix Leasing's interest in taking additional space for rental in the Annexe Building. Secretary General was authorized to go ahead and develop the concept further and hold discussions with Orix Leasing Pakistan Limited.

4. PURCHASE OF COMPUTER FOR CHAMBER'S USE

Secretary General tabled a quotation for the purchase of a Packard Bell Legend Series Computer with complete multi media and a Pentium 75 MHz Processor. The Committee approved the capital expenditure of Rs. 92,000 for the purchase of the above machine, to be used as a second machine in the Chamber's office.

5. HALF YEARLY ACCOUNTS

Chief Accountant's note of 3rd October, 1996 recommending an audit of the half yearly accounts for the period ending 30th June, 1996 (based on advise received from A. F. Ferguson & Company) was tabled for consideration. The Committee approved that the accounts for the half year ending 30th June, 1996 be audited by A. F. Ferguson & Company.

6. MINISTRY OF LABOUR LETTER DATED 9TH OCTOBER 1996

The above letter was tabled for discussion. It was agreed that the Secretary General in consultation with the Vice President will reply to the letter, expressing the Chamber's concerns on various issues on labour policy.

7. OFFICIATING ALLOWANCE FOR DEPUTY SECRETARY

Letter of Deputy Secretary dated 23rd July, 1996 seeking an officiating allowance for acting on behalf of the Secretary general for a six weeks period was tabled for consideration. The Committee decided that this was an inappropriate practice and had been discontinued since 1987. The Deputy Secretary to be informed about the Committee's decision.

8. LONG SERVICE AWARD

Secretary General proposed that as per past practice a "Camy" Wrist Watch duly engraved be presented to:

1. Mr. Syed Ali Firdousi
2. Mr. Shafi Mohammad

on completion of 15 years service with the Chamber.

The Committee approved the above. The Committee also approved that all employees who complete 25 years of service be given a long service award, which should be one month's basic salary.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

10th January, 1996.

MINUTES OF THE MEETING OF CHAMBER'S STANDING COMMITTEE FOR BANKING & FINANCE HELD ON MONDAY 8TH JANUARY, 1996 AT 2:30 PM IN THE CHAMBER'S PREMISES

PRESENT:

MR. AZHER HAMID	CHAIRMAN	ANZ GRINDLAYS
MR. TARIQ HUSAIN	MEMBER	ANZ GRINDLAYS
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS
MR. S. ALI RAZA REPRESENTED BY MR. EBRAHIM GHAFFAR		BANK OF AMERICA
MR. CLIVE A. SHEWARD		EMIRATES BANK
MR. M. HAROON AHMED REPRESENTED BY MR. RIAZ ALVI		HABIB BANK A. G.
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI
MR. MUBASHIR KHOKHAR REPRESENTED BY MR. M. K. SHAIKH		MASHREQ
MR. FASAIR RAHMAN		RUPALI
MR. SANDY GILLIO		SOCIETE GENERALE

LEAVE OF ABSENCE:

MR. ATIF BAJWA	ABN AMRO
MR. TAKAO NAKANO	BANK OF TOKYO
MR. ZAKIR MAHMOOD	BANQUE INDOSUEZ
MR. SAJJAD RAZVI	CITIBANK
MR. M. YOUNAS KHAN	DEU TSCHE BANK
MR. KHWAJA ZAFARULLAH	DOHA BANK
MR. MUNEER KAMAL	FAYSAL ISLAMIC
MR. ASHAF UD DAULLAH	I F I C
MR. ANDY PREBBLE	STANDARD CHARTERED

1. Minutes of the last meeting held on 11th December, 1995 were confirmed.

2. Matters arising therefrom were then discussed :

   a) For the 3.5 % special deposit, the State Bank of Pakistan has agreed to enhance the return from 9.2 % to 12.5% per annum. This is expected to have mopped up Rs. 18 Billion for the State Bank of Pakistan.

   b) Proposed criteria for new branches letter to the State Bank of Pakistan was sent again. State Bank of Pakistan in informal discussions continue to state that there are no restrictions in opening new branches for foreign banks.

   c) A reminder has been received from the Sate Bank of Pakistan on the question of rationalization of service charges. It was agreed that Mr. Tariq Hussian (ANZ Grindlays) would draft an appropriate application in consultation with Mr. Nicholas Cherrill (Hongkong & Shanghai) and Mr. Tawfiq A. Hussain (American Express Bank). Tawfiq had discussed the issue with Sajjad Razvi (Citibank) and with Saeed Bhatti, Director of State Bank of Pakistan.

   d) The situation with regard to primary auction of Government securities has been restored and multiple bids are being accepted.

   e) Dependency on call deposits some banks have received letters from State Bank of Pakistan. Chairman offered to call on Deputy Governor, State Bank of Pakistan and raise this issue.

   f) Lending in foreign currency against foreign currency deposits. Mr. Tawfiq A *Husain needs more time to develop these proposals.*

3. Book Entry Securities - The proposals have already been circulated to the Banks. Only one reply received from Hongkong & Shanghai. Chamber to respond on the basis of inputs received from Hongkong & Shanghai and expected from ANZ Grindlays.

4. Capital Adequacy Ratio - Draft guidelines provided by State Bank of Pakistan has been circulated to all banks. The Sub Committee decided that the concept of capital based on risk weighted assets was good and in line with BIS however much work was required to resolve the issue. A Working Group be constituted consisting of:

   A. BANK OF AMERICA
   B. ANZ GRINDLAYS (MR. TARIQ HUSAIN)
   C. HONGKONG & SHANGHAI BANK

to consider the matter and draft a suitable reply which will be circulated to all Banks, before replying to the State Bank of Pakistan on this matter.

5. Other matters:

   I) Chairman informed the meeting that State Bank of Pakistan has circulated draft rules for a "Deposit Insurance Scheme" and were seeking views by the 7th January, 1996. It was agreed that Mr. Tariq Hussain (ANZ Grindlays) to prepare draft response in consultation with Rupali Bank.

   ii) State Bank of Pakistan's proposal for payment of duty drawbacks by the Commercial Banks was considered.

   It was agreed that strong protective clauses need to be incorporated. ANZ Grindlays will prepare response to the Government.

   iii) Major issues which the Chamber should take up with the Government were identified as follows:

      aa) Central Excise Duty on loans

      bb) Withholding Tax discrimination vis-a-vis Local Banks.

      cc) Return on Hedge Capital Section 13(3) Capital which is being kept abroad with National Bank of Pakistan in New York.

      dd) Uneven playing fields vis-a-vis national Deposit Savings Scheme.

      ee) FIA and ANCB investigations authority levels to be defined.

      ff) Inefficiency of Banking Tribunals.

The Secretary General was requested to write a letter to all Banks suggesting that the meeting of the Banking Sub Committee is intended for Country Heads and as such Heads of Banks should participate, unless there are compelling reasons to do otherwise.

Meeting closed with vote of thanks to the Chair.

The next meeting is scheduled for Monday 12 February 1996.

ZAHID ZAHEER
SECRETARY GENERAL

14th April 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD IN CHAMBER PREMISES ON APRIL 9, 1996.

PRESENT

MR. AZHAR HAMID	CHAIRMAN	ANZ GRINDLAYS BANK
MR. ATIF BAJWA		ABN AMRO BANK
MR. TAKAO NAKAO /		BANK OF TOKYO
Represented by MR. K. NAKAGAWA		
MR. ZAKIR MAHMOOD		BANK OF CEYLON
MR. SAJJAD RAZVI /		
Represented by MR. AZAR KHWAJA		CITIBANK N.A.
MR. KHWAJA ZAFARULLAH		DOHA BANK
MR. CLIVE SHEWARD		EMIRATES BANK
MR. M. HAROON AHMED /		HABIB BANK A. G.
Represented by MR. R. ALVI		
MR. NICOLAS CHERRIL /		HONGKONG
& SHANGHAI		
Represented by MR. JIM HENNESSY		
MR. MUBASHIR KHOKAR /		MASHREQBANK
Represented by MR. MASOOD KARIM		
MR. FASIAR RAHMAN		RUPALI BANK
MR. SANDY GILLIO		SOCIETE GENERALE

LEAVE OF ABSENCE

MR. S. ALI RAZA	CO-CHAIRMAN	BANK OF AMERICA
MR. TAWFIQ A. HUSSAIN		AMERICAN EXPRESS
MR. M. YOUNAS KHAN		DEUTSCHE BANK
MR. MUNEER KAMAL		FAYSAL BANK
MR. SHAFFAT AHMED SIDDKY		I F I C
MR. ANDY PREBBLE		STANDARD CHARTERED BANK

1. OPENING OF THE MEETING

The Chairman welcomed Mr. B. H. Dole, Country manager of Bank of Ceylon, as new member of the Committee. The Chairman also paid tributes to Mr. Takao Nakano, the outgoing General manager of Bank of Tokyo. He, at the same time, welcomed Mr. K. Nakagawa, the new General Manager of newly merged Bank of Tokyo-Mitsubishi, in Pakistan, who will replace Mr. Takao Nakano.

2. MINUTES OF LAST MEETING HELD ON 7TH MARCH 1996

Referring to the last meeting, Chairman briefed members about the circumstances under which an emergent meeting was called on 7th March 1996; primarily, to discuss the outcome of his meeting with the Governor of State Bank on SWAP Dollar Deposits. The present position is that USD280 N incremental SWAP Dollars were brought into Pakistan in the last week of March 1996 by foreign and some local banks. The commitment given to the Governor by foreign banks was exceeded.

3. APPOINTMENT OF CO-CHAIRMAN

At the meeting on 7th March which was attended by 11 foreign banks, the Chairman requested Mr. Ali Raza (BOA) to accept Co-Chairmanship of this Subcommittee. Those present at the meeting supported the request and Mr. Ali Raza, after some persuasion, accepted.

Responding to Mr. Sheward's query the Chairman advised that the appointment of the Co-Chairman does not require and election. The person is selected by the Managing Committee.

4. CONFIRMATION OF THE MINUTES

The aforesaid two resolutions of the previous meeting (held on 07-03-1996) were duly approved by the members.

5. PAKISTAN BANKS ASSOCIATION

It was agreed that individual members, if so desire, can acquire the member ship of PBA. The Chamber standing Sub Committee for Banking & Finance shall however continue its normal function of looking after the interest of its member banks in usual manner. The Chairman, along with few other members , shall meanwhile meet the top executive of PBA, to discussed and find out if the new body, elected recently, will be in a position to appreciate the unique issues facing foreign banks in the country and if so however are these proposed to be addressed at higher level within the Government.

6. PAPER TO GOVERNOR STATE BANK

The chairman informed the committee that the Vice President and the Secretary General are already discussing issues related to Federal Budget 1996-97 with the Ministry of Finance. The proposals inter-alia contain problems of macro nature that foreign banks are encountering.

A Committee consisting of ABA-AMRO, Citibank and ANZ is preparing a paper on macro-economic issues and anomalies with effect the Banking industry. The paper will include suggestions on how best to tackle such matters. Dr. Aasim (Economist with ABN-AMRO) is drafting the paper.

7. CREDIT EXPANSION

The State Bank policy on lending by individual banks has not been announced as yet. No apparent change is expected till 30th June.

8. SBP COMMITTEE TO REVIEW PROVISIONING REQUIREMENT FOR CLASSIFIED LOANS

Points already highlighted by the Committee and circulated to members through circular No. 56 of 18th March 1996, to discuss by the chairman with the State Bank of Pakistan, shortly.

9. OPENING OF NEW BRANCHES

Though the Governor of State Bank of Pakistan has positive views on granting permission for foreign banks to open new branches, no formal sanctions has apparently been received by any member bank, so far.

11. CHAIRMAN'S ARTICLE ON "PERFORMANCE OF FOREIGN BANKS IN PAKISTAN"

Referring to Mr. Clive A. Sheward's letter addressed to the Chamber, the Chairman regretted that his article, written on a very short notice, could not provide a blanket cover for all points relating to the activities of Foreign banks in Pakistan.

12. ANY OTHER MATTER

Replying to a query, the Chairman explained that the issue of WITHHOLDING TAX has been taken up by the Chamber with Mr. V. A. Jeffrey and other high officials of Ministry of Finance and Central Board of Revenue. No apparent result has been achieved.

With no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

13th August, 1996.

MINUTES OF THE CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD ON TUESDAY 6TH AUGUST, 1996 AT 4 PM IN THE CHAMBER'S PREMISES

PRESENT:

MR. AZHAR HAMID	*CHAIRMAN*	*ANZ GRINDLAYS*
MR. SAJJAD RAZVI	*CHAIRMAN ELECT*	*CITIBANK*
MR. ATIF BAJWA		*ABN AMRO*
- REP BY: MR. YAMEEN KERAI		
MR. FAISAL LALANI		
MR. TAWFIQ A. HUSAIN		*AMERICAN EXPRESS*
MR. B. H. DOLE		*BANK OF CEYLON*
MR. KENICHI NAKAGAWA		*BANK OF TOKYO MITSUBISHI*
MR. ZAKIR MAHMOOD		*BANQUE INDOSUEZ*
MR. M. YOUNAS KHAN		*DEUTSCHE BANK*
- REP BY: MR. BAHAUDDIN KHAN		
MR. KEVIN FLANNERY		*EMIRATES BANK*
- REP BY: MR. IAN MACKEY		
MR. MUNEER KAMAL		*FAYSAL BANK*
MR. M. HAROON AHMED		*HABIB BANK A. G.*
- REP BY: MR. R. ALVI		
MR. RASHID AKTHAR		
MR. NICHOLAS CHERRILL		*HONGKONG & SHANGHAI BANK*
MR. SHAFAAT A. SIDDIKY		*I F I C*
MR. MUBASHAR KHOKHAR		*MASHREQ BANK*
MR. FASIAR RAHMAN		*RUPALI BANK*
MR. SANDY GILLIO		*SOCIETE GENERALE*
- REP BY: MR. SHAHID FAKHRUDDIN		
MR. ANDY PREBBLE		*STANDARD CHARTERED*
- REP BY: MR. AHMED RAHMAN		

LEAVE OF ABSENCE:

MR. S. ALI RAZA	*BANK OF AMERICA*
MR. KHAWAJA ZAFARULLAH	*DOHA BANK*

Mr. Sajjad Razvi (New Chairman) welcomed the Members to the meeting and requested Mr. Azhar Hamid, (the outgoing Chairman of the Banking & Finance Sub Committee) to review activities of the Chamber during the year 1995 - 96.

Mr. Azhar Hamid stated that the Sub Committee addressed the following issues:

- Taxation matters arising from the Federal Budget 1996 - 97

In conjunction with the Managing Committee Members, taxation issues adversely affecting the Chamber's Members were taken up in Islamabad in several meetings with Advisor of Ministry of Finance and CBR officials. Details of the result of these deliberations were elaborated by the Secretary General. Secretary General informed the meeting that the Chamber is continuing its dialogue with CBR and it is expected that the issues of valuing of cars and company owned houses remains to be resolved.

- Duty Draw Back

The mechanism of repayment of Duty Draw Back was resolved amicably with the departments concerned.

- Opening of New Branches

On the request of State Bank an OICCI working group was formed which submitted a proposal to the State Bank of Pakistan outlining the criteria for opening of new branches by the foreign banks.

State Bank of Pakistan has approved the criteria submitted by OICCI in toto in their letter of 23rd July, 1996. A copy of the criteria letter is attached for circulation to all Member Banks.

- Withholding Tax Issues

This matter was taken up but remains unresolved. State Bank of Pakistan is not interested. Should be pursued in the forthcoming year.

- Bank Charges

Bank charges remain frozen at the end of 30th June, 1996. The State Bank of Pakistan has not brought this up for discussion.

- Removal of Credit Ceiling

State Bank has already written letters to individual banks in this respect. No collective action is warranted.

- Change of Accounting Year

The Banking & Finance Sub Committee on its own as well as in collaboration with the OICCI Managing Committee addressed CBR and Ministry of Finance outlining the complications that have been experienced due to change in Financial Year from December to June. There has been no positive outcome.

Besides the above, the Committee during its tenure has also raised following issues with State Bank of Pakistan:

- *Deposit Insurance Scheme*
- *Money Laundering Issue*
- *Capital Adequacy Ratio*
- *Encashment of Bank Guarantees by the Customs Authorities*
- *Uneven playing fields due to disparity in Government policy related to related to National Saving Schemes.*

Mr. Azhar Hamid suggested that the new Committee should consider the following unresolved matters in its activities of the year 1996 - 97:

- Nomination to the Bankers' Executive Committee
- Excise Duty on advances
- Withholding Tax

Mr. Azhar Hamid thanked all Members of the Sub Committee and those Members involved in various Task Forces constituted during the year for their respective support.

Mr. Sajjad Razvi (the new Chairman) in reply expressed his appreciation for the achievements of the outgoing Committee under the able guidance of its Chairman, Mr. Azhar Hamid. He expected that Members of the Committee will continue to extend their support during the current year as well. In an economy that is repidly deregulating Banks will have to be responsive to ensure that they are heard and laws, procedures and regulations are equitable. Mr. Razvi stated that he will do his best to ensure that the problems of member banks are duly heard by the authorities and they are provided even fields in business. He advised the members to take up the matters at their own level first, and seek Committee's assistance whenever it is felt that procedures and regulations are inequitable.

It was however suggested that in general while approaching the Central Bank, Members should have a positive and constructive attitude and not appear to be threatening.

- Rate Structure of PLS

State Bank of Pakistan has suggested a specific Committee that should look into the present rate of structure of PLS, macro economic issues and other related anomalies and to prepare a report for submission to State Bank of Pakistan elucidating views. The State Bank of Pakistan has suggested the specific Committee to consist of a representative of OICCI, one from the local private Banks, one from the NCB's. It was agreed that the Chairman and Co-Chairman will represent OICCI on this Committee.

- Taxation Related Matters

The Chairman offered to take up issues pertaining to Taxes with the CBR and Ministry of Finance for their redressal.

- State Bank of Pakistan's Export Refinance Committee

State Bank of Pakistan's letter of 30th July, 1996 seeking nomination for the Export Refinance Committee was considered. The following Member was nominated to represent the Chamber in Export Refinance Committee of State Bank of Pakistan:

Mr. Shoaib Alvi, Manager Operations, ANZ Grindlays Bank

Member Banks were advised to write their concerns to the above Member.

ITEM 4 - Election of Co-Chairman

A Voting Slip proposing two candidates representing ABN Amro Bank and Standard Chartered Bank was circulated among the Members to choose from among the two. Majority of the Members present voted in favor of Standard Chartered Bank's representative being the Co-Chairman.

Mr. Ahmed Rahman who was representing Standard Chartered Bank in place of Mr. Andy Prebble (presently on vacation) was requested to contact Mr. Prebble and to communicate his consent accepting the position of Co-Chairman to the Committee.

ITEM 5 - Approval of Minutes

Minutes of the last meeting held on 9th April, 1996 already circulated to the Members were taken as read and confirmed.

ITEM 6 - Matters arising out of last Minutes

There were no specific points brought out.

ITEM 7 - State Bank of Pakistan's letter dated 24.7.1995 reconstituting the Bankers Executive Committee

The State Bank of Pakistan's letter seeking the views of OICCI on allowing the Pakistan Banking Association to work in place of the Bankers Executive Committee (BEC). Chairman offered to discuss this matter with the State Bank of Pakistan, before formally replying to this letter.

ITEM 9 - Swap Deposit (FE/45)

Mr. Azhar Hamid briefed the Committee regarding the returns on these deposits. Since the Chamber cannot dictate the Government, it would be advisable to wait till any initiative from State Bank comes forth in this respect. Only polite hints to be dropped to State Bank of Pakistan. There is some talk that State Bank of Pakistan may remove cap on interest rates on F. C. Deposits.

Earlier on State Bank of Pakistan had considered removing the foreign currency exchange risk cover fee. Mr. Zakir Mahmood was requested to prepare a paper on the costs structure of these swap funds.

ITEM 11 - Establishment of Local US$ Clearing Function

On the desirability of the establishment of US $ clearing function, Mr. Azhar Hamid volunteered to study this matter further and come back to the Committee.

ITEM 12 - CBR's Circular # F-13(26) IT.1/79 of 17th April, 1996

The withdrawal of this facility to the foreign banks was noted by the Committee as described in the above SRO Circular. Mr. Zakir Mahmood was asked to study the subject further and submit his recommendations to the Committee for its consideration.

ITEM 13 - Flood Relief Fund Donations

The fund contributed by the Member Banks for the Prime Minister's Flood Relief Fund in 1995 have been lodged in Standard Chartered Bank. It was decided that no disbursement should be made for the time being. Meanwhile Standard Chartered Bank who have kept these funds for nearly a year are requested to credit a fair return to these funds.

ITEM 14 - Central Excise Duty on loans to Bank Employees

It was agreed that no action be taken in this matter.

ITEM 15 - Procedure for Opening New Branches

Habib Bank A.G. Zurich to be informed that State Bank of Pakistan has approved the criteria submitted by the OICCI Working Group in its letter of 23rd July, 1996. Copy of letter handed over to the representative of Habib Bank A.G. Zurich.

OTHER MATTERS

(a) Financing of Cotton & Cotton Based Activities - State Bank of Pakistan's letter dated 30th July, 1996.

The Committee proposed that Mr. Muneer Kamal of Faysal Bank to represent OICCI on Cotton Financing Committee formed by the State Bank of Pakistan for this purpose. Mr.Kamal to appraise the Committee of the outcome of the meeting.

(b) Automatic Appraisal System

Emirates Bank letter dated 30th July, 1996 was tabled for discussion. Mr.Sajjad Razvi explained that he had some initial discussion on this subject recently with Mr. Chughtai of the State Bank of Pakistan. He agreed to take up this matter further with State Bank of Pakistan.

(c) Anomalies - National Saving Scheme

Uneven playing field has been created by the Government by allowing enhanced rates to the Government's National Saving Scheme. A Task Force consisting of following Members was formed to prepare a paper for submission to the Government:

- Mr. Sajjad Razvi	Chairman
- Mr. Azhar Hamid	Member
- Mr. S. Ali Raza	Member
- Mr. Zakir Mahmood	Member

(d) *The Chairman requested Members of all the Task Forces and of special Committees formed as above to consult Member Banks and coordinate with the Chairman,Banking & Finance Sub Committee, as and when required.*

(e) *Meetings of the Chamber's Standing Sub Committee for Banking & Finance to be held on bi-monthly basis.*

With no further points to discuss, the Meeting ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

Proposals of OICCI Working Group

Criteria suggested for foreign banks to open branches

Background

Under existing rules foreign banks are permitted to establish a presence in Pakistan with a capital of Rupees million and are allowed a maximum of 4 branches.

Foreign banks have been requesting the State Bank of Pakistan (SBP) over recent years for permission to expand their branch network in keeping with the Government's policy of :

- deregulation of the economy
- provision of better infrastructure
- enhanced competition in the financial sector resulting in greater efficiencies
- mobilization of savings

In considering the approvals for foreign banks to open branches, it is understood that the SBP would wish to ensure that depositors obtain the following benefits:

- security of investment
- a good quality of service
- modern and innovative banking products
- competitive return on deposits

On the basis of the factors mentioned above, a framework has been drafted for consideration by the SBP for the opening of foreign banks on the promise that in the first instance as per current regulations, foreign banks are permitted to open up to a maximum of four branches when they receive permission to operate in Pakistan.

Suggested Criteria

Although it is felt that certain specific quantitative criteria should be adopted to ensure objectivity (as stated below), the State Bank should also give due consideration to the financial performance within Pakistan of a particular bank before permitting branch expansion. In other words, a history of poor operating results might be sufficient reason not to allow branch expansion, even if the financial quantitative criteria are being fulfilled.

1. Capital Requirement

   It is suggested:

a) No banks with a capital of less than US$ 8 million can apply for more than four branches which are currently allowed.

b) The initial grant of license for banking operations should be constructed to contain approval for up to four branches in Pakistan. The location of each of these branches should be communicated to the SBP prior to their opening. Thereafter (i.e. after the first four branches) approval for additional branches will be available provided the bank meet an overall capital to branch ratio of US$ 2 million. For example, if bank A with US$ 8 million in capital applies for permission to open a fifth branch, then bank A should be required to bring in atleast an additional US$ 2 million capital in order to meet the required ratio. If however bank B with US$ 25 million in capital applies for a fifth branch, approval should be granted without any requirement for additional capital since bank B already has capital in excess of the ratio requirement of US$ 2 million per branch.

In addition we suggest that the SBP also consider the factors given below while evaluating requests for additional branches:

2 Frequency of opening new branches
In order to avoid a proliferation of branches and the risk associated with too rapid an expansion, it is suggested that approval for not more than 2 new branches be accorded in any given calendar year.

3. International Standing
The foreign banks should have a sound international reputation. The SBP could satisfy itself on the standing of the foreign bank by reference to compliance with "Bank of International Settlements" capital adequacy requirements, and reference to the home country Central Bank.

4. Commitment to Pakistan
Consideration should be given to the level of commitment that has been evidenced as having being made by the bank of Pakistan.

5. Local Performance
The local performance should be taken into account by the SBP. This would include factors such as the quality of the loan book and local compliance record of the bank in Pakistan.

6. Service Offered
Each branch should offer a full range of depository services.

7. Restrictions on ATM sites
There should be no per branch restrictions on both off-site and on-site ATM sites.

25th November, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE ON BANKING & FINANCE HELD ON NOVEMBER 17, 1996 IN THE CHAMBER PREMISES.

PRESENT:

MR. SAJJAD RAZVI	CHAIRMAN	CITI BANK
MR. ZAHID RAHIM	CO-CHAIRMAN	STANDARD CHARTERED
MR. ATIF BAJWA		ABN AMRO
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA
MR. K. NAKAGAWA		BANK OF TOKYO-MITSUBISHI
MR. ZAKIR MAHMOOD		BANQUE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK
MR. KHAWAJA ZAFARULLAH		DOHA BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. M . HAROON AHMED		HABIB BANK A. G.
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI
MR. SHAFAAT A. SIDDIKY		I F I C
MR. MIRZA SALEEM BAIG (Rep. by Mr. Masood Karim)		MASHREQBANK
MR. SANDY GILLIO		SOCIETE GENERALE

LEAVE OF ABSENCE:

MR. TAWFIQ A. HUSAIN	AMERICAN EXPRESS
MR. B. H. DOLE	BANK OF CEYLON
MR. MUNEER KAMAL	FAISAL BANK
MR. FASIAR RAHMAN	RUPALI BANK

The Chairman apologised for the short notice in calling this meeting .

1. MINUTES OF THE LAST MEETING:

Minutes of the last meeting held on 28th October 1996 already circulated to the members was considered, read and approved.

2. SWAP FUNDS

As a follow up of the meeting with State Bank of Pakistan Governor on 15th November 1996 and a second meeting with Advisor on Finance on 17th November 1996 the Chairman repeated the State Bank's request seeking assistance from foreign banks in building up SWAP funds, and upto 7th December the Government of Pakistan is offering a higher rate of return for incremental deposits.

Considering the relation ship the foreign banks have with the Government and the present economic condition prevailing in the country, the Chairman requested that the member banks pay due consideration to the Government's request. The Chairman however assured the members that he will soon be calling the Deputy Governor State Bank in this respect and will ask him to provide dollar cash-in flows forecasts for the next six months. This would assist member banks to consider the extent of their commitments to SWAP funds.

3. LEVIES OF SINDH GOVERNMENT:

Sindh Government's levy of 0.5% tax on sales of service imposed in the Sindh Finance Act, 1996 was discussed . Secretary General was asked to seek opinion from legal advisors i.e. Messers Surridge & Beecheno and ascertain the possibility of filing a writ petition. The member banks agreed to meet the legal cost in this respect.

4. AUTOMATED CHEQUE CLEARING SERVICE:

Mr. Muzzafar Khawja's letter dated 12th November 1996 was tabled for consideration, after brief discussion the Secretary General was requested to ask NIFT to arrange for a representation before all operational heads of member banks on the automated cheque clearing facilities which they are contemplating.

5. GOVERNMENT TASK FORCE ON TAXATION:

Chairman informed the meeting that Mr. Shahid Javed Burki was seeking suggestions from persons to join the Government's appointed Task Force on TAXATION matters, Mr. Ali Raza volunteered his services.

6. SHARING OF INFORMATION:

The need to share information on portfolio issues for common clients was recognised. It was agreed that Risk managers would meet and prepare a list of common clients.

7. INVITATION TO SPEAKERS:

Mr. Shahid Javed Burki to be invited to the Chamber individually or alongwith the Governor of State Bank and Deputy Governor Mr. Sibghatullah to address the foreign banks.

8. OTHER MATTERS :

(i) Mr. Sandy Gillio expressed his feeling that some banks are acting more for the Pakistan economy while they should be equally concerned about their share holders interest.

Mr. Azhar Hamid said that Mr. Sajjad Razvi has very straight forwardly asked the question from State Bank's Governor, in one of the meetings, that how many times Government of Pakistan going to use the relationship call.

(ii) Co-Chairman of the Bank Subcommittee:

Members unanimously agreed that Mr. Zahid Rahim of Standard Chartered Bank be the Co-Chairman of the Subcommittee in place of Mr. Andy Prebble who has left Pakistan.

There was no other point to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

5th December, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR BANKING & FINANCE HELD ON 21ST NOVEMBER 1996 IN THE CHAMBER PREMISES.

PRESENT:

MR. SAJJAD RAZVI	CHAIRMAN	CITIBANK
MR. ATIF BAJWA		ABN AMRO
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. K. NAKAGAWA		BANK OF TOKYO-MITSUBISHI
MR. ZAKIR MAHMOOD (Rep. by Mr.Rizwan Haider)		BANQUE INDOSUEZ
MR. M. YOUNAS KHAN (Rep. by Mr.U.A. Usmani)		DEUTSCHE BANK
MR. KHRWAJA ZAFARULLAH (Rep. by Mr.Abdul Rashid)		DOHA BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MUNEER KAMAL		FAISAL BANK
MR. M . HAROON AHMAD (Rep. by Mr. Rasheed Akhtar)		HABIB BANK A. G.
MR. NICHOLAS CHERRILL (Rep. by Mr. R. Montin)		HONGKONG & SHANGHAI
MR. SHAFAAT A. SIDDIKY		I F I C
MR. SANDY GILLIO (Rep. by Mr. Hanif)		SOCIETE GENERALE

LEAVE OF ABSENCE:

MR. ZAHID RAHIM	CO-CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS
MR. S. ALI RAZA		BANK OF AMERICA
MR. B.H. DOLE		BANK OF CEYLON
MR. MIRZA SALEEM BAIG		MASHREQBANK
MR. FASIAR RAHMAN		RUPALI BANK

The Chairman Mr. Sajjad Razvi explaining the purpose of calling this meeting on short notice briefed the members the need of foreign banks to extend a helping hand to the Government which is seeking foreign currency deposits.

After a brief discussion it was decided that Mr. Muneer Kamal to draft a letter addressed to the Government of Pakistan and State Bank reminding them about the redressal of following outstanding grievances of the foreign banks operating in Pakistan. The letter to be issued by the Chamber.

- Providing even playing field for foreign banks at par with National Banks and DFIs .

- Corporate Tax on banks to be the same as the rates charged to other non banking corporations.

- Any other matters of concern to the foreign banks .

The meeting had to be abruptly postponed at this stage as the Chairman had to attend a meeting in this connection with the Deputy Governor of State Bank of Pakistan.

MOHAMMAD ASLAM
DEPUTY SECRETARY

10th November, 1996.

MINUTES OF THE MEETING OF WORLD BANK DELEGATION WITH THE CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD ON THURSDAY 7TH NOVEMBER, 1996 AT 10.30 AM IN THE CHAMBER'S PREMISES

PRESENT:

MR. JOSEPH PERNIA		*WORLD BANK DELEGATION*
MR. SYDNEY SILVERBERG		*WORLD BANK DELEGATION*
MR. A. H. QURESHI		*WORLD BANK DELEGATION*
MR. SAJJAD RAZVI	*CHAIRMAN*	*CITIBANK*
MR. ANDREW PREBBLE	*CO-CHAIRMAN*	*STANDARD CHARTERED*
MR. ATIF BAJWA		*ABN AMRO*
- REP BY: MR. SHABBIR RASHID		
DR. MUSHTAQ KHAN		
MR. TAWFIQ A. HUSAIN		*AMERICAN EXPRESS*
MR. AZHAR HAMID		*ANZ GRINDLAYS*
MR. S. ALI RAZA		*BANK OF AMERICA*
MR. KENICHI NAKAGAWA		*BANK OF TOKYO*
MR. M. YOUNAS KHAN		*DEUTSCHE BANK*
MR. KEVIN FLANNERY		*EMIRATES BANK*
- REP BY: MR. IAN MACKEY		
MR. M. HAROON AHMED		*HABIB BANK A. G.*
- REP BY: MR. R. ALVI		
MR. NICHOLAS CHERRILL		*HONGKONG & SHANGHAI*
MR. SANDY GILLIO		*SOCIETE GENERALE*

LEAVE OF ABSENCE:

MR. B. H. DOLE	*BANK OF CEYLON*
MR. ZAKIR MAHMOOD	*BANQUE INDOSUEZ*
MR. KHAWAJA ZAFARULLAH	*DOHA BANK*
MR. MUNEER KAMAL	*FAYSAL BANK*
MR. SHAFAAT SIDDIKY	*I F I C*
MR. MIRZA S. BAIG	*MASHREQ BANK*
MR. FASIAR RAHMAN	*RUPALI BANK*

Chairman, Sajjad Razvi welcomed the World Bank delegation to the Chamber. He said that foreign banks in Pakistan have made a significant contribution to Pakistan's economy. They have brought substantial foreign currency funds, and have 20% of the share of Pakistan's market.

He said that the following points need to be considered as far as legal reforms are concerned, as the portfolio quality is a big issue as far as the NCB's are concerned.

* *Implement concrete measures to divorce GOP involvement in local commercial banks socio-economic loans, etc.*

* *Implement structural economic reforms, to diversify export base from excessive dependence on primary commodities towards value added goods.*

* *Implement legislation to avoid court settlements of doubtful loans; bank should have immediate access to own / disburse underlying assets.*

* *Control incidence of default at loan origination stage: Establish minimum credit controls and procedures under SBP's aegis.*

* *Loan loss provisions should not be taxed; as a result banks will be encouraged to take more adequate provisioning.*

* *Initiate aggressive capital adequacy reforms.*

Mr. Azhar Hamid of ANZ Grindlays emphasized the need to create level playing fields. He said nearly 45% of the foreign banks portfolio is in Government securities. There is differentiation in the rate of deduction of an up front Withholding Tax in respect of foreign banks. Similarly there is differentiation in the criteria for admissibility of provisions for bad loans favoring the NCB's. Banks are also being used by GOP as tax collectors.

Mr. Ali Raza, Bank of America talked about the money markets in general. He said the high yield offered by National Savings Schemes pre-tax 20.21% offer considerable advantage, and have stifled growth in the banking sector. The real rate of return to the saving public is negative, because of high inflation and this does not encourage savings. If the foreign currency deposits were to be excluded the ratio of demand to time deposits in Pakistan is about 80 : 20.
Mr. Ali Raza also made the point about excessive liquidity tied up in real estate, creating a social hazard.

Mr. Tawfiq Husain of American Express Bank said that bank charges for services rendered are best left to the market and the central bank should not attempt to control them.

Mr. Younas Khan of Deutsche Bank made the point about the need to have special courts to deal with recovery of bad loans. The banking tribunals that were made have not been allowed to function and in may cases Members were not appointed to the tribunals, resulting in ten of thousands of cases lying in arrears.

The representative of ABN Amro Bank said that the criteria for setting credit targets needs to be reconsidered, especially the weightage attached to recovery of bad loans.

Chairman also made the following points about the need to reduce market concentration and promoting market integration.

* *Excessive pressure on commercial banks and foreign banks to undertake the primary responsibility for capital formation.*

* *Need to develop capital markets*

* *Encourage other financing vehicles and investment avenues, such as leasing, brokerage, investment banks, mutual funds*

* *De-regulate supporting financial institutions industries, such as insurance which has vast potential but is marred by poor regulatory control*

* *Gradually reduce subsidized credits.*

He also touched upon the central banks regulatory and supervisory role and the need to strengthen State Bank of Pakistan capacity by doing the following:

* *The SBP should have complete autonomy in devising and implementing monetary policy*

* *Increased automation will facilitate reporting / MIS accuracy*

* *Training of SBP staff should increase competence*

* *SBP needs to increase its research capability*

Finally Chairman talked about the privatization of public sector banks.

- *Privatization should not be viewed as a means to generate foreign currency liquidity, or to meet short-term economic needs, or to merelyappease the IMF / multilateral lending agencies*

- *Time should be taken to re-structure / re-align GOP owned entities along market efficiencies and towards enhancing their salability before privatization*

Mr. Joseph Pernia described the purpose of the World Bank Mission was to help the central bank design a reform program. For this purpose the delegation will be meeting all the concerned sectors. He said the functions of the banking system could be classified as :

a) *Mobilization of deposits*

b) *Payment system*

c) *Allocation of credit*

The problems faced by the banking sector in Pakistan manifested themselves in the following :

I) *Non performing loans have quadrupled*

ii) *Systematic bail out of the textile industry*

iii) *Defaults are concentrated*

iv) *Increasing levels of disintermediation, the requirement to hold government paper where yields are controlled.*

v) *Dollarization of deposits and dependence on FDC's which are now 1/3rd of the total deposits*

vi) *Market segmentation arising out of directed and subsidized credit, resulting in crowding out the private sector.*

The root cause of all the above six manifestations is poor goverance of the system. The reform programme must therefore focus on :

A) *Bank owners (NCB's)*

B) *Bank regulators (SBP)*

C) The markets (Integration)

D) The Courts (Legal & Judicial Process)

Mr. Sydney Silverberg (World Bank Consultant) said that the SBP should be selective in their scrutiny to be more focused, and should look closely at the weaker banks, who do not meet capital requirements.

Chairman, Sajjad Razvi summarized the discussion as follows:

1. *The need to arrest the deteriorating portfolio.*

2. *The need to induct competent and professional management.*

3. *The need for legal reforms*

4. *The need to rationalize interest rates.*

5. *The need to have better allocation of credit so as not to crowd out the private sector.*

6. *The need for enhancing the central bank autonomy.*

7. *The need for automatic and timely reports from the central banks, which will come by better training and improvements in the automation and management information system.*

Chairman thanked all participants for their respective contributions.

ZAHID ZAHEER
SECRETARY GENERAL

MINUTES

Re: Problems being faced by Foreign Banks in Pakistan

The meeting between the Governor State Bank of Pakistan and the foreign banks was held on December 28, 1996 to discuss the problems faced by Foreign Banks in Pakistan. The topics discussed and the banks that led the discussion in those topics are as follows:

	Topics	*Bank*
1.	Minimum Lending Rates	Deutsche Bank
2.	Taxation	ANZ Grindlays to be supported by Banque Indosuez
3.	Doubtful Debts	Standard Chartered
4.	Investment in Corporate Debt Instruments	American Express Bank
5.	Schedule of charges	Citibank N.A. / Bank of America
6.	Credit Ceiling	Societe Generale
7.	Public Sector Ceilings Deposit	ABN Amro Bank
8.	Fund management	Bank of America
9.	Contingent liability	Deutsche Bank
10.	FX Transactions	Standard Chartered Bank
11.	Automated Settlement System	Hongkong Shanghai Bank
12.	Transaction Banking	Hongkong Shanghai Bank

Minutes of the meeting are given below :

1. Minimum Lending Rate - Deutsche Bank:

The State Bank of Pakistan, from time to time, set Minimum Lending Rates (MLR) which are applicable for commercial borrowers. These rates have not kept pace with the prevailing level of key bench mark rates such as STFB cut off and SBP'S discount window and therefore the true mark-up rate scenario.

It was suggested that the MLR mechanism be replaced with a Variable Rate Lending (VRL) requirement. Banks should be required to lend at Interbank rates as base plus a margin. Running Finance Lines should be required to be priced on three month inter-bank rate, with quarterly repricing. This will enable banks to better manage their interest-rate risk and establish deeper term funds market.

The Governor said that the minimum rate is not mandatory aid it can be eliminated. The minimum rate has been put in place particularly for the nationalised banking sector. He asked for a proposal for a minimum lending rate.

2. Contingent Liability Exposure - Deutsche Bank:

Presently foreign banks are allowed a contingent exposure of 10 time their capital. This mechanism does not recognize the security covering the exposure. It was suggested that contingent liabilities covered by liquid / cash securities and counter guarantees of top 100 banks be given a 20% weightage .

Mr. Sibghatullah responded to this issue and felt that the prudential regulations were instituted on the behest of the foreign banks and if changes need to be made, then the foreign banks should put up a proposal.

3. Doubtful Debts - Standard Chartered Banks:

On the aspect of Bad debt provision being disallowed as tax deductible expense, the Governor advised that all matters pertaining to taxation, remained outside the purview of his responsibility, consequently he asked that all tax matters be addressed separately by way of a letter, by the foreign banks incorporating fuller details and justification which the Central Bank Governor would support, for the approval of CBR. A draft letter for review is attached.

4. FX Transactions - Standard Chartered Bank:

The State Bank of Pakistan has requested a letter for reviewing the overseas cash balances limit (Nostro Position) and open FOREX Position maintained by Banks, providing fuller justification of higher limit sought, based on trade volume increases over the past period.

5. Funds Management - Bank Of America:

The State Bank advised that the creation of separate subsidiaries for carrying out funds management was an explicit requirement under Pakistan's WTO agreements. However the foreign banks consider it very impractical to stipulate January 1, 1997 as the start up date for such subsidiaries. The time frame involved in setting up these companies, seeking approvals, drawing up Articles of Incorporation and obtaining various regulatory approval can take a minimum of 4 to 6 months. Therefore, the State Bank was requested to defer the date of incorporation of these subsidiaries to July 1, 1997 from January 1, 1997.

It was also suggested that till such time as a subsidiary is incorporated, those banks whose funds management product has been audited by the State Bank of Pakistan to its satisfaction should be allowed to carry on funds management services as they are doing currently. In order to further ensure that investors are not exposed to market risks, State Bank should restrict investment in these schemes to debt and fixed return instruments and preclude / prohibit equity or any other investment.

6. Automated Settlements System - Hongkong Bank:

The Governor, after consulting with SBP's Research Adviser Dr. Andrew Hook confirmed that the SBP are prepared to work with banks to enable this project to be completed successfully.

It was felt that the delays in this project were due largely to the lack of consensus amongst the banks and a request was made that more leadership / guidance be given by the SBP to push this project along.

Dr. Hook advised that a paper was being prepared for the Governor's consideration basically recommending that SBP take a more active role in the project. It was subsequently learnt that this had been approved and SBP have agreed that they will work with NIFT to prepare an agreement setting out preconditions for SBA's involvement.

7. Transaction Banking - Hongkong Bank:

As this matter again related to bas, it is requested that any request recommendation be included in the paper to be prepared on the other tax issues.

8. Investment In Corporate Debt Instruments - American Express Bank:

The Governor suggested that Mr. Tawfiq Husain of American Express Bank should meet Mr. Imtiaz Ahmed, Executive Director, foreign Exchange Department, State Bank of Pakistan, to explain the rationale for allowing non-residents / foreign banks to be able to repatriate income on Fixed Income Corporate Debt Instruments which is presently not possible because of Section 13 of the Foreign Exchange Regulations Act, 1948.

9. Schedule of Charges - Bank of America:

Foreign banks feel that in an environment of increasing inflation with substantial increases in the cost of offering banks services, it is illogical to stipulate a cap on bank charges, particularly when the charges are very low to start off with. It was recommended that consistent with the free market and deregulatory environment, it is necessary that bank charges be left to be determined by market forces and competition. In this way, customers will continue to have the choice of dealing with the institution of their preference and in the longer term, bank charges will settle according to the quality of service being offered by a particular institution.

Yours very truly,

Sajjad Razvi
Chairman
Sub-committee on Banking and Finance
Overseas Investors Chamber of Commerce and Industry

cc : CEOs', Member Banks

10th January, 1996.

MINUTES OF THE LAST MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR COMMERCIAL MATTERS HELD ON MONDAY 8TH JANUARY, 1996 AT 9:30 AM IN THE CHAMBER PREMISES

PRESENT:

MR. S. A. HADI	**MEMBER**	**BOC**
MR. M. NASIRUDDIN		**PPL**
MR. SRAFRAZUDDIN		**PHILLIPS**
MR. AZIZ A. VAZIR		**ROCHE**
MR. D. ANSARI		**SIEMENS**

LEAVE OF ABSENCE:

MR. M. YOUNAS KHAN	**CHAIRMAN**	**DEUTSCHE BANK**
MR. I. S. SANGSTER	**CO-CHAIRMAN**	**LEVER BROTHERS**
MR. TARIQ KIRMANI	**MEMBER**	**CALTEX**
MR. FUAD A. HASHMI	**MEMBER**	**GESTETNER**
DR. MAHMOOD SAEED		**ICI**
MR. AZIZ KARACHIWALLA		**LEVER BROTHERS**

In the absence of Chairman and Co-Chairman, Mr. Zahid Zaheer conducted the meeting.

Minutes of the last meeting held on 6th December, 1995 were confirmed. Matters arising out of the last meeting:

1. The taxation of the PSI Scheme to consignment less that $ 3,000 has been reviewed by the Government and status-quo restored.

2. The Chamber has not received any submission of inadequate tariff protection from any of its members.

3. The issue of non blendable oils could not be discussed further as no detail were available. Mr. Daud Ansari raised the question of restriction of imports on Transformers Oils. The local supplier HY Oils enjoying the monopoly protection, does not produce oil to approved specification.

Mr. Zaheer informed the Meeting that the Chamber on 2nd November, 1995 has circulated vide Circular no. 198 a draft of the proposed Anti Dumping & Counteravailing Duties Act 1995 to all Members for comments. No reply has been received.

Members views were invited for discussion.

There were no comments except that Mr. Daud Ansari requested that the WTO guidelines on the subject be obtained. The Deputy Secretary to write to the Government agency and seek a copy of the guidelines.

The Meeting was informed that Eight replies were received in response to the Chamber's Circular no. 202 seeking proposals for the trade policies. These were from:

1. LEVER BROTHERS PAKISTAN LIMITED
2. KNOLL PHARMACEUTICALS LIMITED
3. HOECHST PAKISTAN LIMITED
4. PAKTEL LIMITED
5. TETRA PAK PAKISTAN LIMITED
6. RECKITT & COLMAN OF PAKISTAN LIMITED
7. ROCHE PAKISTAN LIMITED
8. CALTEX OIL (PAKISTAN) LIMITED
   (Lubricants Advising Committee)

It was agreed that the matter be deferred for consideration for the next meeting, when some more proposals may be received.

Next Meeting fixed for Monday 5th February, 1996 at 9 AM.

ZAHID ZAHEER
SECRETARY GENERAL

11th February, 1996.

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR COMMERCIAL MATTERS HELD ON TUESDAY 6TH FEBRUARY, 1996 AT 9 AM IN THE CHAMBER'S PREMISES

PRESENT:

MR. M. YOUNAS KHAN	CHAIRMAN	DEUTSCHE BANK
DR. MAHMOOD SAEED		I C I
MR. D. ANSARI		SIEMENS

LEAVE OF ABSENCE:

MR. I. S. SANGSTER	CO-CHAIRMAN	LEVER BROTHERS
MR. S. A. HADI		B O C
MR. TARIQ KIRMANI		CALTEX
MR. FUAD A. HASHMI		GESTETNER
MR. A. ZIA KARACHIWALLA		LEVER BROTHERS
MR. M. NASIRUDDIN		P P L
MR. SRAFARAZUDDIN		PHILIPS
MR. AZIZ A. VAZIR		ROCHE
MR. A. A. MINAI		WELCOME

1. Minutes of the last meeting held on Monday 8th January, 1996 at 9: 30 AM in the committee room of the Chamber were confirmed.

2. Matters arising from the last meeting:

   A copy of the WTO guidelines Article 6 covering the Antidumping and Counteravailing Duties were tabled. Dr. Mahmood Saeed of ICI suggested that a Working Group be formed to study the matter and assist the Chamber in making a suitable response. Dr. Saeed said that ICI are sending a written response.

   Chairman agreed to form a Working Group for this purpose consisting of :

   1. A representative of Lever Brothers.
   2. Mr. Sheikh Aslam of ICI.
   3. Representative from Philips.

   Mr. Naseem Ahmed of Philips or Mr. Fuad Hashmi of Gestetner be requested to head this group and submit their findings within two weeks.

3. Discussion then took place on proposals received for the Trade Policy 96 / 97.

   A summary of nineteen points covering proposals received from twelve companies was tabled for discussion.

After deliberations it was agreed that only following items be included for submission to the Ministry of Commerce.

a) Duality in variations and arbitrary uplift of values by PSI companies.

b) Since it is difficult to establish the difference between prime quality and secondary quality tin plates, there should be one tariff for both.

c) Importers to be given a choice to clear material either at Karachi or dry port. It should not be mandatory to clear concessionary imports at dry ports only.

d) Foreign companies are required to obtain prior emission to import used and reconditioned machinery. This tantamounts to discrimination.

e) Procedure for export and re-import of defective equipment be simplified.

f) Removal of regulatory duty (10% or 5%) and also the removal of 1% Flood Relief Surcharge.

g) Imports of lube oil and greases be allowed on the basis of the recommendation of the Lubricant Advisory Committee.

h) Same as proposal BO6 put forward in last year's recommendation.

I) Same as proposals HO1, HO2 and HO3 put forward in last year's recommendation, all three of them relate to facilitating exports.

j) Same as Proposal 101 put forward in last year's recommendations.

4. Other matters:

I) Letter of President dated 31st January, 1996 addressed to High Commissioner for Pakistan in New Delhi was tabled for discussion.

ii) Letter from Bata Pakistan dated 12th December, 1995 tabled for discussions. No other companies are facing such problems.

iii) Letter from Filtrona Pakistan Limited tabled for discussion. It was pointed out that they were not Members of the Chamber, but the Parent Company, Filtrona International has recently been inducted. The issue of duty drawbacks arising out of devaluation and imposition of regulatory duty has already been addressed by the government.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

27th October, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR COMMERCIAL MATTERS HELD ON 22ND OCTOBER 1996 AT THE CHAMBER'S PREMISES

PRESENT:

MR. I. S. SANGSTER	CHAIRMAN	LEVER BROTHERS
MR. F. A. HASHIMI	CO-CHAIRMAN	GESTETNER
MR. S. A. HADI		BOC PAKISTAN
MR. SARFARAZUDDIN		PHILIPS
MR. M. H. MANSURI (REP. BY Mr. A. M. Khalid)		GLAXO/WELLCOME

LEAVE OF ABSENCE:

MR. TARIQ KIRMANI	CALTEX OIL
DR. MAHMOOD SAEED	ICI PAKISTAN
MR. R. L. WESTLEY	SHELL PAKISTAN
MR. D. ANSARI	SIEMENS
MR. S. SHAUKAT ALI	WYETH LABORATORIES

The Chairman welcomed the new members and regretted that this meeting could not take place earlier.

The Chairman briefly reviewed the issues taken up by the committee last year. After brief discussion the committee agreed to as follows:

(a) Chamber should issue circular to all members seeking their views on general complaint of uplifting of CRF values by the two PSI companies.

(b) A meeting of the Subcommittee members should then be arranged with COTECNA and SGS to understand each other's points of view and how best to resolve the issue of arbitrary uplift of prices.

(c) Mr. Sarfrazuddin of Philips suggested that a meeting should be arranged with the Collector of Custom Valuation to express Chamber's concern on the proposal of re-instating the ITP manual system.

TARIFF ANOMALIES:

In order to avoid duplication of efforts by various Standing Subcommittees, it was agreed that Chairmen and Co-Chairmen of three Standing Subcommittees, namely COMMERCIAL MATTERS, INDUSTRIAL POLICY and TAXATION should meet in the near future to demarcate the areas in which each Subcommittee should devote its efforts.

ANTICIPATED MINI BUDGET:

The committee approved the Chairman's suggestion to call a meeting of the Subcommittee two weeks after expected announcement of the Government regarding revision in Tax and Tariff Structures .

There was no other matter to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

15 April 1996

Mr. M. Khurshid Anwar Shah
Section Officer
Ministry of Commerce
Government of Pakistan
Pak Secretariat
Islamabad.

SUB: SUGGESTIONS FOR THE FORMULATION OF TRADE POLICY 1996-97 FOR CONSIDERATION IN THE 47TH MEETING OF THE ADVISORY COUNCIL OF THE MINISTRY OF COMMERCE

REF: YOUR LETTER NO. 12(I)/96-Admin.VII DATED 7TH MARCH 1996

Dear Sir,

With reference to your above letter this Chamber has pleasure to submit the proposals related to the Trade Policy for 1996-97, due to be discussed in the 47th meeting of the Advisory Council of the Ministry of Commerce.

Thanking you,

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

Encls:

cc:

- Deputy Secretary (E.T.1), M/Commerce, Islamabad.
- Deputy Secretary (E.T.II), M/Commerce, Islamabad.
- Deputy Secretary (EG), M/Commerce, Islamabad.
- Section Officer (Import I), M/Commerce, Islamabad.

with a copy of the proposals.

CHAMBER'S PROPOSALS FOR TRADE POLICY 1996-97

1. STREAMLINING THE PROCEDURE OF VALUATION

PROPOSAL

Duality in valuation and arbitrary uplift of values by PSI Companies.

RATIONALE

Since the advent of Pre-Shipment Inspection in Pakistan, the importer is being exposed to duality in valuation. While on the one hand PSI companies apply an arbitrary uplift in the value declared as per Commercial Invoice in majority of consignments. Customs, on the other hand, tend to further inflate this value declared on the Clean Report of Findings by applying a loading factor on the basis of higher evidential information. In order to streamline this system and to ensure elimination of dual valuation/assessment, the matter should be dealt with through suitable amendments to be incorporated in the Customs Act 1969.

This is especially applicable in the case of Bulk Edible and Inedible Oils & Fats where the importer is exposed to irrational valuation. The 'Highest Evidential Value' is a weapon possessed by Customs that must be rescinded if the importer is to ensure the elimination of the one sided arbitrary practice adopted by Customs. Currently, this cannot be challenged by the importer since there is an over-riding factor in the form of Chapter 25 of the Customs Act, 1969 in which the final powers are vested with the Custom Authorities who exercise their full desecration in this regard and stand to gain either way.

2. RATIONALIZATION OF LEVIES TO PROTECT LOCAL INDUSTRIES

PROPOSAL

Since it is difficult to establish the difference between prime quality and secondary quality Tin Plates, there should be only one tariff for both.

RATIONALE

Custom Authorities at the moment do not possess the required infrastructure in term of highly sophisticated electronic equipment to determine and assess at sight (i.e. physical inspection), the quality parameters and other physical attributes of Tin Plate consignments and thus tend to classify the majority of consignments as 'Prime Quality' when infact the same are of 'Secondary Quality'. We also advocate that the 'Marketing' aspects of Tin Plate should be accorded due weightage and consideration in addition to the 'Technical' features and that verification with our suppliers in terms of the declaration made on the Invoice be sought in the event of doubt, since PSI's findings are not acceptable to Customs on numerous occasions. An expert panel comprising of Tin Plate Specialists representing key importers be constituted for providing its final verdict, which must be acceptable to Customs in totality. The other suggestion is that there should be only a single slab of duty for Tinplate as a whole to eliminate unnecessary disputes.

3. CLEARANCE OF CONSIGNMENTS AT PORTS

PROPOSAL

Importers be given a choice to clear material either at Karachi Port or through Dry Ports. It should not be mandatory to clear concessionary imports at Dry Ports only.

RATIONALE

The recent Notification in this regard which is only applicable in the case of an import where a concessionary SRO benefit is involved, creates unnecessary hurdles for the importer who has to clear part of his consignments (those not involving special concessions) form Karachi Port/AFU and the remaining form the nearest Dry Port where the Manufacturing Unit is located. This dual mode of clearance is not feasible and practical at all as it does not allow an importer to centralize his total clearance activity. It is therefore advocated that the choice/option of clearance activity involving a SRO should be left to the discretion of the importer who mostly has his Clearance Network including Manpower Resource established close to the Sea Port. Partial clearance therefore does not aid or facilitate the importer's logistical planning network base, as it not only delays the overall activity but it also disrupts the element of continuity and smooth flow in terms of the planning parameters.

4. IMPORT OF SECOND-HAND AND RECONDITIONED EQUIPMENT

PROPOSAL

Foreign companies are required to obtain prior permission to import used and reconditioned machinery. This tantamounts to discrimination.

RATIONALE

At present, foreign companies are required to obtain prior permission of the government to import second-hand and reconditioned equipment. Firstly, this restriction is discriminatory and inconsistent with the Government policy to encourage foreign investment. Secondly, this policy discourage the use of relatively cheap equipment with substantial operating life in the country.

It is therefore suggested that foreign companies should have freedom to import second-hand and reconditioned equipment.

5. EXPORT AND RE-IMPORT OF DEFECTIVE EQUIPMENT

PROPOSAL

Procedure for export and re-import of defective equipment be simplified.

RATIONALE

At times, importers are required to send sophisticated equipment abroad for repairs. The procedure for export and re-import of this type of equipment and cancellation of Bank Guarantees is fairly cumbersome and involves considerable hassle, documentation and paperwork.

It is suggested that the procedure for export-cum-reimport of equipment and cancellation of Bank Guarantees should be simplified for which specific instructions ought to be issued to the customs authorities

6. REGULATORY DUTY / FLOOD RELIEF SURCHARGE

PROPOSAL

Removal of regulatory duty (10% or 5%) and also the removal of 1% Flood Relief Surcharge.

RATIONALE

Regulatory Duty and Flood Relief Surcharge may be removed. These were put for specific purposes and should not be used in perpetuity. They add to the cost of raw materials and the cost of goods, and have an inflationary effect.

7. IMPORT OF LUBE OIL / GREASES

PROPOSAL

Import of Lube Oil and Greases be allowed on the basis of the recommendation of the Lubricant Advisory Committee.

RATIONALE

Only those lubricants which can not be produced in the country be allowed to import.

The Lubricants Advisory Committee (LAC) is a recognized body that represents the whole industry and all matters relating to the import of lubricant should be referred to it and LAC should have the discretionary power to decide on the specification of lubricants that may be imported.

8. LEVIES ON ESSENTIAL GOODS

PROPOSAL

Levies on essential consumer goods and capital goods industry.

RATIONALE

Excise Duty is a tax on goods produced or manufactured in the country and intended for home consumption. It is paid by the manufacturer or producer and is primarily considered a tax on consumption of luxury goods by the rich who can afford to pay such taxes. It is anomalous to apply this to capital items and essential consumer goods. It should be withdrawn form Paints, Electrical Wires and Cables and Detergents, Toilet Soaps and other hygiene item like Powder, Shampoos and Creams.

9. EXPORT PROMOTION

PROPOSAL

(a) Streamline procedure for export duty drawback for Pharma industry products and fix a standard duty drawback rate.

RATIONALE

This is being done for other products for export..

(b) PROPOSAL

For pharmaceutical product export on Concessional air freight rate be introduced keeping the possibility of export to Central Asian States.

RATIONALE

These products are of high value and small volume and have limited shelf life.

(c) PROPOSAL

Currently export of samples free of charge are limited to Rs. 25,000 per annum. This should be enhanced to 10% of the value of the exports.

RATIONALE

Medicines are expensive items and the continued erosion of the Rupee has resulted in very nominal samples being exported.

10. TRADE SAMPLES

PROPOSAL

The value of samples permitted to be imported should be in proportion to the total imports and not a fixed monetary limit.

RATIONALE

The present limit of import for import of free of charge trade samples is Rs. 10,000 per annum, and is inadequate because of erosion in the Rupee.

Minutes of the Chamber Standing Sub Committee meeting for Corporate Law held at Chamber premises on February 18, 1996.

PRESENT

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC GROUP
MR. MOHAMMAD ASLAM	CO-CHAIRMAN	BOC PAKISTAN
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MR. AAMER AZIZ SIYID (MR. SHEIKH ABDUL MALIK)		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO

LEAVE OF ABSENCE

MR,. FAWAD PALABO	ABBOTT
MR. A.J. ANJUM	GLAXO
MR. K. M. AMINULLAH	HOECHST
MR. AZHAR ALI MALIK	ICI PAKISTAN

1. APPROVAL OF MINUTES

Minutes of the last meeting held on October 8, 1995, circulated to the members previously, were considered read and approved.

No matter arising from the said Minutes, was raised by any member for discussion.

2. DRAFT LEASING COMPANIES (ESTABLISHMENT & REGULATION) RULES, 1995

(i) In response to Chamber's request comments were received from five leasing companies listed below were handed over to Mr. Mohammad Aslam of BOC Pakistan Ltd., to develop a summary, along with his views, for committee to adopt and approve before onward submission to the Managing Committee:

1. ATLAS LEASE LTD.
2. CARR MASHRIQ (PVT.) LTD.
3. EQUITY INTERNATIONAL (PVT.) LTD.
4. KHADIM ALI SHAH BUKHARI & CO. LTD.
5. ORIX LEASING PAKISTAN LTD.

(ii) DRAFT OF ANTI DUMPING AND COUNTERAVAILING DUTIES ACT, 1995

The Secretary General informed the Committee that Chamber Standing Sub committee for Commercial Matters has formed the following Working Group to appraise the Committee of their expert views:

1. Mr. Sarfrazuddin — Philips (Leader)
2. Mr. Seikh Aslam — ICI
3. A representative if Lever Brothers

Since Lever Brothers representative participate on both the Committees it was resolved that Mr. Malik be requested to nominate a suitable representative for Working Group.

(iii) DRAFT OF EMPLOYEES PROFIT FUND (INVESTMENT IN LISTED SECURITIES) RULES, 1995

Committee viewed that nothing specific has to discussed about the Draft in general. However the apparent conflictable Section 227, sub-section (I) should be discussed with the Chairman Corporate Law Authority during his visit to the Chamber on 19th February 1996.

(iv) DRAFT OF SUGAR AND PHARMACEUTICAL INDUSTRIES (COST ACCOUNTING RECORDS) ORDER, 1995

Chamber to write a note of dissent to Corporate Law Authority as done before when the fertilizer industry was notified.

3. COMMENTS ON LETTER OF MR. ROSHAN MEMON

The committee endorsed views of Mr. Roshan Memon of Houbco Power Plant that the minimum normal rate of subscription for new issue should be 10,000/- instead of 5,000/- and would take this up at the next meeting with CLA.

4. LEVER BROTHERS LETTER OF JANUARY 8, 1996 REGARDING "THE MONOPOLY CONTROL AUTHORITY (SUPPLY OF INFORMATION) RULES, 1995 AND LETTER OF UPJHON PAKISTAN (PVT.) LTD., OF 15 JANUARY 1996

The matter to be taken up for discussion with the Chairman Monopoly Control Authority when he visits Chamber on 19th February 1996.

The meeting ended with a vote of thanks to the Chair, as there was no matter to discuss.

ZAHID ZAHEER
SECRETARY GENERAL

3rd November, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR CORPORATE LAW HELD IN THE CHAMBER'S PREMISES ON 7TH OCTOBER 1996.

PRESENT:

DR. M. S. HABIB	CHAIRMAN	GLGXO-WELLCOME
MR. ALI AAMIR		ANZ GRINDLAYS BANK
MR. QAZI SAJID ALI		BASF PAKISTAN
MR. SHEIKH MQHAMMAD ASLAM		ICI PAKISTAN
MR. SAEED HAIDER		J. & P. COATS
MR. N. HAQ		PAKISTAN TOBACCO

LEAVE OF ABSENCE:

MR. TARIQ AMIN	CO-CHAIRMAN	RHONE-POULENC
MR. NIGHAT PERVEEN		GLAXO
MR. SAEED AKHTAR		PAKISTAN PETROLEUM
MR. S. K. HUSSAIN		HUB POWER CO.

The Chairman welcomed the members of the new Subcommittee. After a brief introduction of all the members the Chairman gave an overview of activities of the committee in the previous year. He invited discussions on the matter and sought member's opinion on those matters which should be taken up for action of the Subcommittee during the year.

THE DEVELOPMENT OF CENTRAL DEPOSITORY SYSTEM (CDS) AT THE KARACHI STOCK EXCHANGE:

Referring to the letter from the Hub Power Company (dated Sept.15,1996 which had previously been circulated to members of the committee) Mr. Sheikh Mohammad Aslam of ICI Pakistan Limited was asked to appraise the Subcommittee with his views on the subject . Mr. Aslam stated as follows :

According to past practice, before submitting such proposals to the Cabinet or National Assembly, opinion of trade and industrial organizations are sought, and they are given the due consideration.

In this case, the draft has been submitted to the Cabinet directly for enactment. Consequently the following questions need clarification:

- As per para (a) of clause 5(1) of the Ordinance the CDC shall be deemed not to be a member of the issuer, and according to para (6) the account holder shall, except as is otherwise provided in the Ordinance, be entitled to all the rights, powers and privileges and be subject to all the liabilities, duties, and obligations of the members. The "legal ownership" of the shares therefore remain to be examined.

- Due explanation to be given that why CDS should be a mandatory and what are the advantages and disadvantages for the issuer and the purchasers of the shares:

- *Likewise few more queries may arise after detailed study.*

The Subcommittee decided to form a Working Group of the following members to conduct detailed study of the proposed Ordinance and highlight the issues and give their recommendation to the Subcommittee. The Chamber will then take up the issue with the Government at appropriate level:

G R O U P

1.	MR. SHEIKH MOHAMMAD ASLAM	I C I	CONVENER
2.	MR. K. HUSSAIN	HUB POWER	MEMBER
3.	MR. N. HAQ	PAK TOBACCO	"

The Working Group to consider the points raised by Mr. Mohammad Ali, Chief Executive of Carr Mashriq (Pvt) Ltd., in his letter of September 18, 1996 (previously been circulated to members).

ANY OTHER MATTERS

Counterfieting:

Mr. N. Haq of Pakistan Tobacco pointed out to the committee that the counterfeiting of popular brands particularly in NWFP is increasing at alarmingly high pace. Present law to check such activities and provide due protection to local industries has lacunas which provide advantage to the counterfeiters. Mr. Haq agreed to provide a write up on this subject to the Subcommittee for discussion at the next meting.

Since there was no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

29th August, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR ENVIRONMENT HELD ON SUNDAY, AUGUST 25, 1996 AT CHAMBER PREMISES

PRESENT

MR. ZAFFAR A. KHAN	CO-CHAIRMAN	ENGRO CHEMICAL
DR. NAVEED AHMAD -REP. MR. D. M. WOODROFFE		HUB POWER CO.
DR. MAHMOOD SAEED		ICI PAKISTAN
MR. R. L. WESTLEY		SHELL PAKISTAN MR.
SOHAIL WAJAHAT SIDDIQUI		SIEMENS
MR. TARIQ ALLAUDDIN		CIBE-GIEGY
MR. R. J. RAIDERS		UNION TEXAS

LEAVE OF ABSENCE

MR. MUJIBUR REHMAN	LEVER BROTHERS
MR. S. MUSHARRAF ALI	ABBOTT
MR. RASHID ALI	RAFHAN MAIZE

Due to a delayed flight Chairman could not be in Karachi on this day. In the absence of Chairman, Mr. D. M. Woodroffe, the Chairman, Mr. Zaffar A. Khan presided the meeting.

After a brief introduction of the members present, the Co-Chairman briefly described Chamber's involvement in matters concerning Environment. Uptill now the issues related to Environment were taken care of by the Task Force of Chamber Standing Sub Committee for INDUSTRIAL POLICY. But since July this year the Managing Committee of the Chamber considering its importance, has constituted an independent Committee for Environment affairs.

The Co-Chairman then briefly described the activities of the TASK FORCE remained during the past year, and thanked members of the Task Force, in particular, for their contribution in finalizing Chamber's views and recommendations to Pakistan Environmental Protection Council (PEPC) in respect of National Environmental Quality Standard (NEQS) and also for the amendments suggested by the Chamber in the draft of Environmental Protection Ordinance. 1995.

A special committee headed by Mr. Shams Lakha was formed by the PEPC to rationalize NEQS. After the several meeting, it is about to finalize its recommendations.

Dr. Naveed Ahmad of Hub Power Co. who is representing Chamber on Experts Advisory Committee will be participating in a meeting on 1st September in Islamabad to consider a report tabled by Dr. Mohammad Hanif (Pak-EPA) Consultant to the Environmental Protection Agency.

Letter of 18th August 1996 outlining Dr. Hanif's recommendations were only for 32 liquid pollutants, and were silent on 16 gaseous pollutants.

The Draft of the Environmental Protection Ordinance, 1995 is expected to be presented for approval of the Cabinet before it is passed on to the National Assembly for enactment. Meanwhile the 1983 Ord. on Environmental Protection is in operation.

The Co-Chairman talked about following aspects which Government has to resolve:

- A Pollution charge concept has been introduced to give amnesty to industry and to prevent the application of penal clauses of the Ordinance. As informed by the Co-Chairman, the FPCC&I have committed to Shams Lakha Committee that they will come up with suggestions on clean up cost. OICCI should also prepare some proposals in respect of pollution charges payable to the Government in the lieu of penal charges.

- Applicability of the pollution charges recoverable from those not complying with NEQS, needs to be legislated especially as the Ordinance is yet to be passed by the National Assembly.

- Government is considering to appoint the Committee at Provincial level for this purpose. This Committee to have representation of NGOs, Government & Industry..FPCC&I will nominate industry representative. They have offered one position to OICC&I.

Mr. Westley of Shell Pakistan Ltd., suggested that Chamber should collect inventory of persons who are in the employment of member firms and are familiar with the various aspects of Environmental Science. Chamber to issue a circular to all member companies seeking information in this respect.

OTHER MATTERS

- Mr. Zaffar A. Khan, C-Chairman, offered to prepare the terms of reference for 1996-97 of the Standing Subcommittee on Environment.

- Dr. Naveed Ahmad who will be attending the forthcoming meeting of Experts Advisory Committee on 1st September to report back its outcome to the Chairman or Co-Chairman.

- next meeting of Chamber Standing Subcommittee for Environment to be held after Dr. Naveed submits his report on the outcome of the aforesaid expert advisory Committee meeting.

- Proposals by FPCC&I dated 5th August 1996 for the rates of pollution charges have been developed by FPCC&I. Copy of these proposals are available with the Co-Chairman.

With no other points remained to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

3rd December, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR ENVIRONMENT HELD ON 26TH NOVEMBER 1996 IN THE CHAMBER PREMISES.

PRESENT:

MR. D. Michael WOODROFFE	CHAIRMAN	HUB POWER CO.
MR. ZAFFAR A. KHAN	CO-CHAIRMAN	ENGRO CHEMICAL
MR. S. MUSHARRAF ALI		ABBOTT
MR. SOHAIL WAJAHAT SIDDIQUI		SIEMENS
MR. R. J. RAIDERS		UNION TEXAS
MR. RASHID ALI		CPC RAFHAN
MR. NAVEED AHMED		HUBCO

LEAVE OF ABSENCE:

DR. MAHMOOD SAEED	ICI PAKISTAN
MR. MUJIBUR REHMAN	LEVER BROTHERS
MR. R. L. WESTLEY	SHELL PAKISTAN
MR. TARIQ ALAUDDIN	CIBA-GEIGY

1. CONFIRMATION OF LAST MINUTES:

The Minutes were approved by the Committee. Chairman invited discussion from the members on matters arising from the last meeting of the Committee held on August 25, 1996. There was no comments from any members.

2. N E Q S:

The Chairman gave a review and outcome of the meeting on NEQS held at Islamabad a day before. In view of the reorganization of different Ministries in Islamabad, matters related to future program could not be discussed.

The Co-Chairman Mr. Zaffar A. Khan informed the Committee that meanwhile no tangible action/decision has been taken by the Environmental Standard Committee headed by Mr. Shams Lakha.

Dr. Naveed Ahmed representing the Chamber on Experts Advisory Committee briefly reported about the outcome of last meeting held at Islamabad on 25th November. His write-up on the discussion is attached.

The Co-Chairman re-emphasised the Chamber's views that these NEQS should initially be applied to new industries which are being established. Later on the parameter of NEQS to be extended to already established industries.

Mr. Zaffar A. Khan, once again stressed that the terms of reference for the Chamber Standing Subcommittee on Environment should be developed. Members of the Committee in particular and other members of the Chamber in general should pass on their inputs to Mr. Zaffar A. Khan to prepare a draft for the review of the Subcommittee.

3. <u>CHANGE IN THE MEMBERSHIP OF THE SUBCOMMITTEE:</u>

Request of Mr. Tariq Alauddin (Ciba-Geigy) to nominate Mr. Tariq Ataullah in his place, as he will remain on overseas assignment with effect from 1st December 1996, was tabled for discussion. The Chairman and members of the Subcommittee agreed to accept the proposal. Mr. Tariq Ataullah to be enrolled on the Subcommittee in place of Mr. Tariq Alauddin with effect from lst December 1996.

4. <u>NEXT MEETING:</u>

The Chairman suggested to defer the next meeting till the present situation in Islamabad is settled and the respective Ministry are in a position to undertake policy decision.

With no other point to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

7th October, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR INSURANCE HELD ON SEPTEMBER 30, 1996 AT CHAMBER'S PREMISES.

PRESENT:

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. A. A. DANI		GLAXO
MS. ZEHRA NAQVI		INSURANCE CO. OF N. AMERICA
MR. JAVED IQBAL		PHILIPS
MR. K. M. GRESHAM		ROYAL EXCHANGE
MR. ARIFUDDIN AHMED		UNION TEXAS
MR. ABDUR RAHIM		COMMERCIAL UNION

LEAVE OF ABSENCE:

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. MOHAMMAD ASLAM		BOC PAKISTAN
MR. BRIAN C. MURPHY		NEW HAMPSHIRE
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

The Chairman welcomed the members to the first meeting of the Subcommittee. Reviewing last year's activities of the committee, he informed the members as follows.

WITHHOLDING TAX ISSUES:

After persistent follow up with the Government, the Withholding tax issues under section 50(3) Income Tax Ordinance 1979, pertaining to the insurance Industry was at last resolved.

REMITTANCES OF DIVIDEND OF FOREIGN COMPANIES & REMITTANCES OF PREMIUM OF RE-INSURANCE:

Remittances of profit and premium of re-insurance to the parent company still takes 3-4 years. Delays are in obtaining final clearance from the Controller of Insurance. This is also contingent in Income Tax assessment. This matter will be pursued with the Ministry of Commerce (Controller of Insurance) and State Bank of Pakistan to streamline the process in order to eliminate unnecessary delays in departmental procedures.

It was suggested that, as a follow up action, letters should again be written by the Chamber to the Controller of Insurance and State Bank of Pakistan.

INSURANCE TARIFF:

The existing insurance rates prevailing in the country needs to be rationalized or preferably the tariff to be done away. Committee noted that Controller of Insurance has not responded on the subject. The matter needs to be pursued.

COMPULSORY RE-INSURANCE THROUGH PAKISTAN INSURANCE CORPORATION:

The Chairman informed the Committee that the National Insurance reform Commission appointed by the Government in 1987 had recommended to further reduce PIC share under Compulsory Reinsurance from 20-10% by 01-01-1996. The implementation of this decision was delayed and the Insurance industry expects the enforcement of the recommendation by 01-01-1997. It was recalled that three years ago Compulsory Reinsurance was reduced from 30% to 20%.

SUGGESTIONS / VIEW FROM MEMBERS:

The Chairman invited suggestions / view of the members if they so wanted to add to the program of the Subcommittee for the year.

After brief discussion the members agreed as follows:

(a) Controller of insurance may be invited to the Chamber to discuss pertinent issues and listen to the Chamber's point of view on the relevant subject.

(b) Aforesaid issues, which the committee has been pursuing, to be taken up more vigorously by follow up letters and personal visits, wherever found necessary.

(c) Ministry of Commerce be approached to share copy of Insurance Commission Report with the public for general information.

(d) Mr. Moazzam Rehman of Engro Chemical enquired weather Insurance companies can cover losses occurring due to the expected enforcement of new legislation on ENVIRONMENTAL issues. He was informed that according to the recommendation every industry has to follow the NEQS. In case of non compliance, fines can be imposed, based on the nature of offence. Insurance companies as a rule do not cover risk of penalties.

As there were no further issue to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

21st October, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUB COMMITTEE FOR INDUSTRIAL POLICY HELD AT THE CHAMBER'S PREMISES ON 3RD OCTOBER 1996.

PRESENT:

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. M. HAMID		AEG PAKISTAN
MR. ROBERT JONES		CADBURY PAKISTAN
MR. SARFRAZUDDIN		PHILIPS

LEAVE OF ABSENCE:

MR. MARTIN P. SULGER	CO CHAIRMAN	SIEMENS
MR. ERIC J. JANSSENS		BASF PAKISTAN
DR. NIGHAT PERVEEN		GLAXO
DR. MAHMOOD SAEED		ICI PAKISTAN
MR. JAMIL S. HUSSAIN		MERCK SHARP & DOHME

After a brief introduction of the Members, the Committee reviewed the scope/responsibilities parameters of the Subcommittee as circulated. It was agreed that no change was necessary.

The points communicated by the Members in response to Chamber Circular No.194 of 3rd September 1996 were reviewed, and it was decided to tabulate/summarize for future course of action. (A summary is attached).

It was agreed that:-

a) Mr. Sarfrazuddin of Philips and Mr. M. Hamid of AEG will jointly prepare a note suggesting withdrawal of the Compulsory Deletion Program and Concessionery Duties to be allowed on import of deleted items.

(b) The Chairman offered to have a note prepared on the difficulties arising due to delay in issue of Consumption Certificate with reference to the pharmaceutical industries.

OTHER MATTERS:

(1) The Chairman pointed out the anomalies in Government's rules regarding travelling of more than three employees of a company to a particular country on business related matters. The Government should agree to provide a blanket permission to travel in foreign countries in order to promote international business. The existing restriction relates to the T-2 Form.

(2) Copy of Board of Investment's letter dated 19th September 1996 addressed to Mr. M. Usman Satti of Highnoon Chemicals intimating the Board's. decision to restore the concession of 10% Custom Duty on imported machinery for basic manufacture of raw material, circulated to the members, was discussed. The Sales Tax will be, however, refundable within the period of 30-60 days of payment.

Being an issue related to Pharma Industry, the Chairman suggested that a copy be sent to the Pharma Bureau.

Since there were no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

13th October, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR LABOUR HELD ON 6TH OCTOBER, 1996 IN THE CHAMBER'S PREMISES.

PRESENT:

MR. M. YOUNAS KHAN	CHAIRMAN	DEUTSCHE BANK
MR. KHALID RAFIQUE		BOC PAKISTAN
MR. KHALID B. OSMANY		ICI PAKISTAN
MR. SALIM AZHAR		ENGRO CHEMICAL
MR. HASAN MADANI (Attended by Mr. Rashid Ahmad)		SHELL PAKISTAN

LEAVE OF ABSENCE:

MR. H. A. ATHER	CALTEX OIL
MR. TARIQ FEROZ	CITIBANK N. A.
MR. A.H. RATHORE	GLAXO
MR. A. H. MEMON	LEVER BROTHERS
MR. P. ADAMS	PAKISTAN TOBACCO
MR. ANJUM AMIN	UNION TEXAS

The Chairman welcomed the new Subcommittee members. After a brief review of the past activities of the Committee, the Chairman invited suggestion/opinion of members which the committee should enlist in its activities for the current year.

After brief discussion the members agreed to the following:

(1) Present status of Labour Policy of the Government of Pakistan to be ascertained with particular reference to the matter related to 'Contract Labour' and 'Hire & Fire' power of the employers.

The Chairman requested the members that if any of them can approach the Ministry of Labour at Islamabad, to please investigate and report the exact status of the proposed Labour Policy in order to undertake action at appropriate level, if needed to address over-protective Labour Laws which are impediment to productivity.

(2) Government's interference in Collective Bargaining process by periodically announcing "Cost of Living Allowances" and "Special Allowances" as has been in the recent past. Such interference disrupt the wage structure.

(3) The contribution towards 5% Workers Participation Fund and 2% of Workers Welfare Fund are not used to the workers benefit. They accrue to a Central Fund. The funds, so collected, should be made available to workers of the unit when they are generated.

(4) What is the need of a second audit under clause 23-B(1) of IRO '69. This is futile and subject to misuse.

(5) Discrimination in application of Essential Services Maintenance Act, 1952 in Oil industry in particular.

(6) Participation of outsiders in the Labour Union should be reduced from existing 25% to 10%.

Further addition in the above list may be incorporated as and when found necessary.

SELECTION OF CO-CHAIRMAN

The Subcommittee unanimously selected Mr. Khalid B. Osmany to be the Co-Chairman. Mr. Osmany, thanking the members, very kindly consented to the proposal.

ANY OTHER MATTER:

i) Indian Labour Law

Mr. Rashid Ahmad of Shell Pakistan Limited to provide a copy of the Indian Labour Law pertaining to Contract Labour to compare with the respective laws of the land.

ii) Next meeting of the Subcommittee

Resolved to hold the meeting of the Sub-committee at every alternate month in consultation with the Chairman or Co-Chairman.

As there was no other point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

25th September, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR PORT TRUST & COMMUNICATIONS HELD ON 17TH SEPTEMBER 1996 AT CHAMBER'S PREMISES

PRESENT

MR. M. MOONIS	CHAIRMAN	UNITED LINER AGENCIES
MR. S. AINUL HADI		BOC PAKISTAN
MR. SAJJAD AHMED		ENGRO CHEMICAL
MR. SHAHID SIDDIQI		HINOPAK MOTORS
MR. S. H. JAVED		HOECHST
MR. S. M. MOONIS		PAKISTAN TOBACCO
MR. SADIQ HAFIZ		UNION TEXAS

LEAVE OF ABSENCE

MR. S. H. A. BUKHARI	CO-CHAIRMAN	MACKINNON
MR. M. R. MEMON		M-I OVERSEAS
MR. ARSHAD SAID		SHELL PAKISTAN

Welcoming the members to the first meeting of the Subcommittee the Chairman commenced the meeting with a brief introduction of the members present.

Referring to the activities of last year, the Secretary General informed the Committee that inspite of several efforts the visit of the Federal Secretary of Communications, could not materialise for one person or the other. Problems related to Communications and ports in particular were however raised in the meetings with Mr. V. A. Jafarey, Advisor to the Prime Minister and Mr. Moin Afzal, Special Secretary, Ministry of Finance during their visits to the Chamber.

Mr. V. A. Jafarey stated that the solution was to privatise the ports as soon as possible.

Members suggested the following problems which should be tackled by the committee during the year:

- Resultant increase in cost of clearance of goods from ports due to KMC's refusal to allow heavy trucks to pass through city roads before 7:00 P.M.

- Due to slow movements in ports activities, users have to invariably pay demurrages. Serious efforts to eliminate such factors resulting in the increase in cost of handling goods through ports be instituted.

- As one of the suggestions, KPT should consider allowing clearance of goods at night.

- Present duration of FREE PERIOD allowed by KPT should be further enhanced till existing facilities are improved in order to clear the goods from the port within the specified FREE PERIOD. Such facilities are available in other ports like Singapore, Hongkong, etc.

- Prompt issues of CRFs by PSI companies would also curtail demurrages considerably.

- Facilities at port for special handling of goods should be further enhanced.

- Restoration of Mobile Telephone facilities in metropolis.

- Oil discharge facilities at KPT & PORT QASIM to be further improved to avoid berthing delays.

BRIEF REVIEW

The Chairman, after listening to the above points, which members advocated briefly narrated the issues he considered were important:

(A) **PRESENT CONDITIONS EXISTING AT KPT**

- Dock labour problem and the hurdles in resolving.
- Insufficient equipment to handle, discharge and embarkation of goods to and from ships.
- Dilapidated approach roads and poor lighting of the port area.
- Lack of sufficient security arrangements to effectively check pilferage.
- Diversion of KPT funds to activities not related to the development program of the port.
- Delays in construction of containers Terminal at KPT.
- Insufficient tugs and pilot boats. Non availability of latest equipment on boats, piloting the ships.
- Outer anchorage charges are very high.

(B) **AT PORT QASIM**

- Problems relating to berthing of ships and discharge of cargo.
- Rate of progress in construction of roads and other facilities being very slow.
- Safety arrangements at Port Qasim for highly combustible material like LPG
- gas etc. are not adequate.
- Frequent labour Union's problem cause delay in handling of consignments.
- Long channel in Port Qasim is costly for ship owners.

(C) **DRY PORT PROBLEMS**

Referring to the problems related to Dry Docks, the Chairman highlighted following matters which the Sub-committee should consider and recommend:

- Existing dry Ports in Pakistan are not adequately equipped to handle all sort of cargo.
- Lack of proper administrative and safety controls and measures resulting in higher rate of pilferage and damages.
- Due to non-availability of option to import at any port businessmen cannot avail the facilities existing at other ports.
- Restriction in movements of goods from Dry Ports to Bonded ware Houses.
- Summing up the general problems, the Chairman pointed out the following possible solutions:
- Maximum privatization of different port activities, would reduce the handling cost.
- High handling cost of Port Qasim and KPT to be reduced and bring at par with other ports within the region.
- Railways and Highways facilities to be improved further in order to achieve reduction in cost of transportation of goods.
- Mobile telephone facilities should be restored.

The Chairman advised the members to contact him directly before the commencement of next meeting if any other points, in their opinion, should be included in the above list.

Meanwhile the Chairman will draft a letter for the Chamber inviting the Federal Secretary Communications and Chairman of Port Trust, to communicate and understand each other points of view.

As there was no further point to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

10th January, 1996.

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR TAXATION HELD ON SUNDAY 7TH JANUARY, 1996 AT 9:30 AM IN THE CHAMBER'S PREMISES

PRESENT:

MR. S. ALI RAZA	**CHAIRMAN**	**BANK OF AMERICA**
MR. F. A. HASHMI	**CO-CHAIRMAN**	**GESTETNER**
MR. MUNIR K. BANA	**MEMBER**	**KNOLL**
MR. A. J. ANJUM		**GLAXO**
MR. TASLEEMUDDIN BATLAY		**LAKSON**

LEAVE OF ABSENCE:

MR. MOHAMMAD ASLAM	**MEMBER**	**BOC**
MR. K. M. AMINULLAH		**HOECHST**
MR. FERIAL SALEH		**IBM**
MR. AZHAR ALI MALIK		**ICI**
MR. AHMED ADIL		**STANDARD CHARTERED**
MR. S. HASHIM ISHAQUE		**SHELL**

The meeting was specifically called to receive and consider the reports of the various group leaders regarding taxation proposals.

The following reports were considered:

1. Mr. Azhar Malik's report dated 12th December, 1995 relating to the Chemical/Pesticides/ Fertilizers Group.

2. Mr. Ahmad Adil's report not received for the Banking Insurance / Shipping group. However letter received from Ray Shipping directly was tables.

3. Mr. A. J. Anjum's report on the Pharmaceutical group dated 27th December, 1995.

4. Mr. T. A. Batlay's report on the Food & Consumer Products group dated 13th November, 1995.

5. Mr. Hashim Ishaque's report on oil / Gas / Energy group dated 29th November, 1995.

6. Mr. Mohammad Aslam's report on Energy & Industrial Products group dated 23rd November, 1995.

7. Mr. M. K. Bana's report on other Manufacturing Companies group dated 22nd November, 1995.

After considering the above reports it was agreed that the following emerged as the priority issues:

1. Net protection to local industry.

2. Withdrawal of rural area incentives and creation of special industrial zones.

3. Change in Income Year.

4. High tax rate on Banking companies.

5. Minimum turnover tax to be on net sales value and not on gross sales.

6. Excise Duty to be a single stage tax and not charged to multiple stages as in the case of Tobacco industry.

The following additional issues were also identified but were lower priority items.

A. Duties on import of capital goods.

B. Sales Tax on imports where the ends product is exempt from Sales Tax.

C. Sind Government levies.

Letter received from PPL (11th June, 1995), PEPCA (6th December, 1995), Roche (14th December, 1995), Paktel (14th December, 1995) and Bristol-Myers Squibb (26th December, 1995) were also tables for discussion and considered. Since these were industry specific items, they were to be taken up separately by the Industries concerned.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

28th August 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR TAXATION HELD ON SUNDAY, AUGUST 25, 1996 AT CHAMBER PREMISES

PRESENT

MR. FUAD A. HASHMI	CHAIRMAN	GESTETNER
MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. A. A. DANI		GLAXO
MR. FAROOQ NAZIR		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. AZIZ A. VAZIR		ROCHE PAKISTAN

LEAVE OF ABSENCE

MR. ASHRAF BAWANY	BOC PAKISTAN
MR. IFTEKHAR ALAM	COMMERCIAL UNION
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR. S. HASHIM ISHAQUE	SHELL PAKISTAN

Welcoming the members to the first meeting of the Subcommittee, the Chairman resumed the meeting with an introduction of the members present.

At the request of the Chairman, Secretary General gave a brief background and review of the 1996-97 budget and its repercussion on trade, industry and economy of the country in general.

The implication of taxes on different business activities were discussed. The committee decided to classify different business sectors of the members of the Chamber in under-noted nine Groups. Each Group to have a team leader who is a member of the Subcommittee. Each team leader will interact with member companies of his sector requesting them to submit their suggestion and inputs, which ultimately will be consolidated for the Subcommittee, for consideration.

GROUP		GROUP LEADERS
1.	Chemical, Pesticides, Fertilizers & Paints	Mr. Azhar A. Malik
2.	Banking & Insurance	Mr. Iftekhar Alam
3.	Shipping, Airlines, Trading & other Services	Ms. Farah Qureshi
4.	Pharmaceutical Industries	Mr. A. A. Dani
5.	Food & Consumer Products	Mr. Farooq Nazir
6.	Engineering & Industrial Products	Mr. Ashraf Bawany
7.	Oil Gas & Energy	Mr. Hashim Ishaque
8.	Tobacco & other Manufacturing	Mr. Tasleemuddin A. Batlay
9.	Personal Taxes	Mr. Aziz A. Vazir

Parameters of the interaction to be on the following aspects of Taxation. Any other matter which the Committee deem fit to add may be included in the list separately:

1. Corporate Tax
2. Sales Tax
3. Excise Duty
4. Withholding Tax
5. Workers Participation Fund/Welfare Fund
6. Personal Taxation
7. Custom Duties
8. Capital Transfer Tax
9. Tariff Reforms - policies
10. Octroi and Zilla Tax
11. Sindh Infrastructure & Provincial Tax

The Deputy Secretary to circulate to the above group leaders following support documents:

- Last year's report of each Group Leaders.
- Sectorwise list of companies
- Specimen of Questionnaire format circulated by Mr. Hashmi last year.
- Copy of Chamber's letter dated 1st July to Member Taxes on the treatment of company owned cars and housing.

WITHHOLDING TAX DEDUCTION

Withholding Tax deduction at input stage present cash flow problems. A fresh proposal to be developed for the Central Board of Revenue. Mr. Farooq Nazir to prepare a draft for the Committee's consideration in the next meeting.

PRESENTATION ON TAX COLLECTION UNDER ONE WINDOW MANAGEMENT

Letter from the Ministry of Environment dated 23rd May 1996 seeking Chamber's suggestion for one window operation for tax collection was tabled for consideration. It was decided not to reply in the matter.

INVITING OFFICIALS FROM CBR / MINISTRY OF FINANCE

It was suggested that senior officials of the Revenue Department be invited to the Chamber.

NEXT MEETING

Next meeting of the Subcommittee to be held on 16th September 1996 at 3:30 P.M.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

25th September 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR TAXATION HELD IN THE CHAMBER PREMISES ON 16TH SEPTEMBER 1996

PRESENT

MR. FUAD A. HASHMI	CHAIRMAN	GESTETNER
MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. AZIZ A. VAZIR		ROCHE PAKISTAN

LEAVE OF ABSENCE

MR. ASHRAF BAWANY	BOC PAKISTAN
MR. IFTEKHAR ALAM	COMMERCIAL UNION
MR. A. A. DANI	GLAXO
MR. S. HASHIM ISHAQUE	SHELL PAKISTAN

MINUTES OF THE LAST MEETING

The Chairman, opening the meeting, invited comments from any member on the Minutes of the last meeting held on August 25, 1996, already circulated to the members. There was no comment and the Minutes was approved.

LETTER FROM MR. FAROOQ NAZIR

Mr. Farooq Nazir's letter of 8th September regarding section 50(5) of Advance Tax at custom stage under section 50(5) of the Income Tax Ordinance, 1979 was tabled for discussion. It was agreed that Mr. Nazir would draft a suitable letter for C.B.R. which will be issued by the Chamber.

A copy of the letter to C.B.R. in this respect is attached.

COMMENTS ON PERSONAL TAXATION

Mr. Aziz A. Vazir's comments on Personal Taxation, circulated to the members previously, was discussed. It was suggested that Mr. Vazir will write to members as how to operate the C.B.R.'s circular No. 14 of 1996 on Valuation of Perquisites of Corporate Employees, specially relating to the valuation of 'Furnishings'.

INFORMATION REGARDING STUCK UP REFUNDS FROM THE GOVERNMENT

The Committee decided to compile statistics from member companies in respect of their detained refunds with the Government which have not been administrated for the last three years. To be prepared separately for Sales Tax, Excise and Income Tax.

Chamber to write and obtain the relevant details from member companies. The information thus collected will be passed on to respective group leaders of the committee under separate heads.

LETTER FROM SHELL PAKISTAN

Mr. Hashim Ishaque's office, in his absence , passed on comments they have meanwhile received from Attock Refinery Ltd., and M/s MMI Drilling Fluids.

Meanwhile the Secretary General informed the committee that the Government has since withdrawn the Regulatory Duties imposed on import of equipment, accessories, etc. A copy of the C.B.R. is attached. Copies of the said letters have been provided to all members.

COMMENTS FROM MR. ASHRAF BAWANY RELATED TO WORKERS PARTICIPATION ACT, 1968

Mr. Ashraf Bawany, in his note dated 8th September (copy already provided to the members) drew committee's attention towards comments / opinion of Legal Advisor on distribution of profit of workers Participation Fund. This was basically for information of members and no action was warranted.

It was resolved that all matters related to staff and personnel, like Workers Participation Fund, Social Security or other related taxes to remain in the ambit of the Personnel Taxes Group headed by Mr. Nazir A. Vazir.

NEXT MEETING

Next meeting of the Committee to be held on 11th November 1996 at 3:30 P.M. in the Chamber Premises.

As there were no further points to discuss, the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

ENCLS:

18th November, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE FOR TAXATION HELD IN THE CHAMBER'S PREMISES ON NOVEMBER 11, 1996.

PRESENT:

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. FAROOQ NAZIR		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON, MACKENZI
MR. AZIZ A. VAZIR		ROCHE PRKISTAN

LEAVE OF ABSENCE:

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. A. A. DANI		GLAXO
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

1. CONFIRMATION OF MINUTES:

Minutes of the last meeting held on 16th September 1996 already circulated were considered, read and approved by the members.

2. MATTERS ARISING OUT OF THE SAID MINUTES:

Referring to the survey of the unpaid refunds relating to Income Tax, Custom Duties, Sales Tax and Excise submitted to the Subcommittee were informed that:

(a) Only 15 members of the Chamber responded to the circular No.212 of 26th September 1996.

(b) Out of 15 responses, 5 members showed no claims outstanding.

(c) Status of rest of the 10 members were as follows:

	No.	Total Value
- Determined claim duly approved by the government for reimbursement.	5	Rs. 38.76 m
- Claims pending for final approval by the government.	5	Rs. 178.84 m

In view of the limited response from the members, it was agreed to issue one more circular to the members asking them to specify extent of only those claims which have been determined and approved for payment by the Government but have not been disbursed since last one year or more.

3. NON-RESIDENTS TAXATION:

Mr. Aziz A. Vazir's comments on non-residents taxation in his letter dated October 27, 1996 addressed to the Commissioner of Income Tax, already circulated to the members was discussed and the members agreed with his views.

4. ANY OTHER MATTERS:

In view of the forthcoming joint meeting of three Standing Subcommittees (TAXATION, INDUSTRIAL & COMMERCIAL MATTERS) scheduled to be held on 12th November 1996, it was agreed to postpone discussion on the following issues:

(i) Matters arising out of the mini-budget announced by the Government.

(ii) Imposition of tax on sales of service by the Sindh Government to all service oriented activities in the Province are implied in the Sindh Finance Act,1996. To evaluate possibilities of filing a writ in the Sindh High Court for its withdrawal.

(iii) Mr. Farooq Nazir identified the need to follow up issues that were submitted to the various departments of the Government. He stated that if found necessary personal visits to be arranged to resolve outstanding issues.

Next meeting of the Subcommittee to be held on 3rd December 1996 at 3:30 P.M. (instead of 2nd December) in the Chamber's premises.

With no other matter to discuss the meeting closed with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

18th December, 1996

MINUTES OF THE MEETING OF CHAMBER STANDING SUBCOMMITTEE ON TAXATION HELD ON DECEMBER 3, 1996 IN THE CHAMBER'S PREMISES

PRESENT:

MR. FUAD A. HASHIMI	CHAIRMAN	GESTETNER
MR. A. A. DANI		GLAXO-WELLCOME
MR. AZIZ A. VAZIR		ROCHE PAKISTAN
MR. S. HASHIM ISHAQUE		SHELL PAKISTAN

LEAVE OF ABSENCE:

MR. AZHAR A. MALIK	CO-CHAIRMAN	ICI PAKISTAN
MR. ASHRAF BAWANY		BOC PAKISTAN
MR. IFTEKHAR ALAM		COMMERCIAL UNION
MR. FAROOQ NAZIR		LEVER BROTHERS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON , MACKENZIE

1. CONFIRMATION OF PREVIOUS MINUTES:

Minutes of the last meeting held on November 11, 1996 circulated to members previously was considered, read and approved.

2. POINTS ARISING OUT OF THE SAID MINUTES:

While reviewing the last Minutes, following matters were discussed:

(a) Unpaid refunds related to Income Tax, Custom Duty, Sales Tax and Excise Duty. The Committee were informed that another circular was issued to all members asking for the desired feed back on the above subject.

(b) Non-residents taxation - Mr. Aziz A. Vazir commenting on the outcome of his meeting with the Commissioner Income Tax, Karachi, informed that, the following matters related to non-resident companies were discussed in the meeting but could not culminate in any positive decision:

- Exemption of tax on payment of Royalty from Pakistan to the resident of other contracting state. Presently exemption is being given for 2/3rd of approved and registered royalty agreements while the remaining 1/3rd is subjected to tax at normal rates. The tax treaties allow for full exemption.

- Dividend income is being categorised into income from industrial undertaking and others. For income from individual undertaking tax is being levied at reduced rate as per tax treaties while the others is being subjected to tax at normal rates.

- Proposed relief allowed by Income Tax to NTN Card holders is ineffective due to delay in issue of Cards to the tax payers.

(c) Outcome of meeting in Islamabad on mini-budget issues:
The Secretary General referring to the discussion held with the Caretaker Government at Islamabad briefed the Committee about the undernoted points Chamber raised, which, if redressed, would help the Government in attracting foreign investments:

- Net protection to local industries after taking into account of all levies should not be less than 25%.

- Duty and Sales Tax on import of Capital goods (not manufactured in Pakistan) should be removed. Sales Tax on raw and packing material used for manufacture of any product should be refunded in cases where end product is exempt from Sales Tax.

- Withdrawal of 'L' Form regime applicable to foreign Cost.

- Amicable settlement of the issues related to restoration of mobile telephone.

(d) Joint meeting of three Subcommittees. - While mentioning the outcome of last joint meeting of Taxation, Commercial and Industrial Subcommittees, the Secretary General informed about the outcome of the meeting as follows:

- Standing Subcommittees for Commercial Matters and Industrial Policy be emerged together.

- All matters related to tariff anomalies be addressed addressed by the Committee formed after the merger. While all matters relating to tax policy to continue to be addressed by the Taxation Subcommittee.

- Anomalies resulting in disadvantage to the local industry need to be focussed in more details. For this purpose five industry groups were constituted to make suitable recommendations:

1. **ENGINEERING & INDUSTRIAL PRODUCT GROUP:**

Mr. Sarfrazuddin	Philips
Mr. Sohail W. H.Siddiqui	Siemens
Mr. M. Hamid	AEG

2. CHEMICALS INCLUDING PAINTS, FERTILIZERS & PESTICIDES GROUP:

Mr. Eric Janssens	BASF
Mr. Azhar Malik	ICI
Mr. Amir Niazi	BOC

3. TOBACCO & CONSUMER PRODUCTS GROUP:

Mr. Farooq Nazir	Lever
Mr. Tasleemuddin Batlay	Lakson Tobacco

4. PHARMA GROUP:

Mr. Aijaz K. Khan	Wyeth

5. OIL, GAS & ENERGY GROUP:

Mr. S. Hashim Ishaque	Shell
Mr. Tariq Kirmani	Caltex

The above five groups to submit recommendations for the Subcommittee's consideration.

- Among the issues arising out of the mini-budget, withholding tax issue to be looked into by the Taxation Subcommittee.

  The 2% service charges payable on account of PSI companies tantamounts to additional tax burden, should be looked into by industry group.

  (Chamber's Circular No. 269 of 18-12-96 issued in this respect may be considered. Copy attached).

  The aforesaid recommendation to be tabled in the next meeting of the Managing Committee for approval.

3. ANY OTHER MATTER:

- Mr. Aziz A. Vazir was asked to draft a letter, to be issued by the Chamber, on matters related to Taxation on dividend earned by non-residents share holders at a reduced rates under tax treaties where such dividends arose out of profits from industrial undertakings(to be at *concessional rates if such dividends arise out of an industrial* undertaking) in Pakistan.

- Sindh Government tax on Sales & Services. The Secretary General advised the Committee to consider challenging the validity of tax on sales and services imposed by Sindh Government in Sindh Financial Act, on services, in the High Court by individual members.

- The Committee acknowledged efforts of Mr. Aziz A. Vazir for submitting his reports on:

  : Note on Social Laws and respective bottlenecks

  : Current status of statutory obligations.
  (Above notes have been circulated to all members of the Subcommittee).

- Representation of the Chamber on the Valuation Committee at the Collectorate of Sales Tax (East), Karachi. The Committee unanimously proposed that Mr. Farooq Nazir to represent the Chamber on the Committee, if he agrees to.

- Matters related to the letter received shortly from Mr. A. A. Dani, to be considered for discussion in the next meeting. Meanwhile a copy of the letter is hereby circulated to the members.

- Mr. S. Hashim Ishaq advised the Committee that since he is about to retire he may not continue as member of the Subcommittee. The Committee acknowledging his contribution, expressed the desire for him to remain on the Committee till its present tenure so that the Committee could avail the benefits of his august presence during the year at least.

4. NEXT MEETING:

The Committee decided to hold its next meeting on 6th January, 1997 at 3.30 PM.

With no other matter to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY