

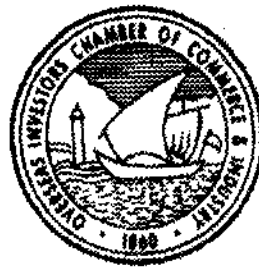
OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

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**ANNUAL REPORT
FOR THE YEAR
1998**

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 1998

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MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 1998-99



Office Bearers:

I. S. SANGSTER, OBE
PRESIDENT
Lever Brothers Pakistan Limited

MUNNAWAR HAMID, OBE
VICE PRESIDENT
ICI Pakistan Limited

ZAHID ZAHEER
SECRETARY GENERAL

Members:

TARIQ AMIN
Rhône Poulenc Group - Pakistan

MOIN M. FUDDA
Commercial Union Assurance Co. PLC

FUAD AZIM HASHIMI
Gestetner (Private) Limited

T. V. HIGGINS, OBE
Shell Pakistan Limited

ZAFFAR A. KHAN
Engro Chemical Pakistan Limited

KAMRAN Y. MIRZA
Abbott Laboratories (Pakistan) Limited

ZAHID RAHIM
Standard Chartered Bank

SYED ALI RAZA
Bank of America NT & SA

CHAIRMEN AND PRESIDENTS OF THE CHAMBER

CHAIRMEN

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,		
T. L. F. BEAUMONT	-	1899/1900	C.B.E., M.C.	-	1943/44
D. MCLVER	-	1900/01 TO 1902/03	W. J. CULLEN, M.B.E.		
HON'ABLE W. T.	-		J. HUMPHREY,		
O' BRIEN	-	1903/04	C.B.E., J.P.	-	1944/45
M. DE P. WEBB, C.I.E.	-	1904/05 TO 1909/10	LT. COL W.B. HOSSACK,		
M. DE P. WEBB, C.I.E.	-	1910/11	M.L.A.	-	1945/46
H. T. ROBSON			B. R. GRAHAM	-	1946/47
M. DE P. WEBB, C.I.E.	-	1911/12/13	E. J. PAKES		
M. DE P. WEBB, C.I.E.	-	1913/14	R. L. COGLAN	-	1947/48
W. U. NICHOLAS			B. R. GRAHAM, O.B.E.	-	1948/49/50
M. DE P. WEBB, C.I.E.	-	1914/15/16	J. N. KERR	-	1950/51
M. DE P. WEBB, C.I.E.	-	1916/17	D. B. ASHWORTH		
M. DE P. WEBB, C.I.E.	-	1917/18/19	B. R. GRAHAM, C.B.E.	-	1951/52/53
H. G. JAUGHTON	-	1919/20	T. W. CREE	-	1953/54
SIR MONTAGUE WEBB			B. FANE SAUNDERS, C.B.E.	-	1954/55
KT, C.I.E., C.B.E., M.L.C.	-	1920/21/22	T. W. CREE	-	1955/56
			W. E. WILKIE - BROWN	-	1956/57
			MIRZA A. RAZA	-	1957/58

PRESIDENTS OF THE 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
I. 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. YOUNAS KHAN	-	1992/93/94
NISAR A. MEMON	-	1994/95
TARIQ IKRAM	-	1995/96
T. V. HIGGINS, OBE	-	1996/97
S. NASEEM AHMAD	-	1997/98
I. S. SANGSTER, OBE	-	1998/99

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	1991-98
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CIRCULAR NO. 84

24TH MAY, 1999.

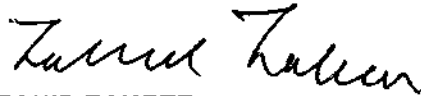
CEO'S OF MEMBER FIRMS

NOTICE OF 139TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the **139TH 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 **TUESDAY 29TH JUNE, 1999 AT 11 AM** to transact the following business:

1. To confirm and sign the Minutes of the 138th Annual General Meeting held on Tuesday 23rd June, 1998 at 11 AM.
2. To receive the Report of the Managing Committee for the year 1998.
3. To pass the Audited Accounts for the year ending 31st December, 1998.
4. To appoint Auditors for the Chamber for the year 1999 and to fix their remuneration.
5. To read the Nominations received for the election of the Managing Committee for the year 1999 - 2000 and announce that this year no elections were necessary.
6. To consider and if found fit approve the attached Resolution which would be moved as Ordinary Resolution by the Managing Committee, notice of which is being sent to all Members vide Circular No. 83 dated 24th May, 1999.
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**

CIRCULAR NO. 83

24TH MAY, 1999.

CEO'S OF MEMBER FIRMS

NOTICE
139TH ANNUAL GENERAL MEETING

NOTICE is hereby given that at the **139TH ANNUAL GENERAL MEETING** of the Members of the **OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY** to be held at the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi-74000 on **TUESDAY 29TH JUNE, 1999 AT 11 AM**, it is proposed to consider and if thought fit, to pass the following Resolution, which would be moved as Ordinary Resolution by the Committee:

" **RESOLVED** that under the powers given to Members of the Chamber under Article 11 (a) of the Chamber's Articles of Association, the under mentioned Annual Subscription shall be payable by Ordinary Members of the Chamber with effect from 1st July, 1999:

ANNUAL SUBSCRIPTION

<u>TOTAL NUMBER OF EMPLOYEES:</u>	<u>ANNUAL SUBSCRIPTION:</u>
UPTO 100	RS. 13,600
FROM 101 TO 300	RS. 21,800
OVER 300	RS. 36,300 "

BY ORDER OF THE COMMITTEE


ZAHID ZAHEER
SECRETARY GENERAL

**MINUTES of the 138th 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 Tuesday, 23rd June, 1998 at 11.00 AM**

PRESENT IN PERSON

**MR. S. NASEEM AHMAD
PRESIDENT
PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PRIVATE) LIMITED**

MEMBERS

- | | |
|---|----------------------------|
| 1. BANK OF AMERICA NT & SA | MR. SYED ALI RAZA |
| 2. BARRETT HODGSON PAKISTAN (PVT) LTD. | MR. M. MATIN KHAN |
| 3. BAYER PAKISTAN (PRIVATE) LIMITED | MR. NADEEM ABBAS |
| 4. BLACKWOOD HODGE (PAKISTAN) (PVT) LTD. | MR. S. K. NIZAMI |
| 5. CADBURY PAKISTAN LIMITED | MR. ROBERT JONES |
| 6. CIGNA INSURANCE ASIA PACIFIC LTD. | MR. SYED UMER ALI SHAH |
| 7. COMMONWEALTH DEVELOPMENT CORPORATION | MR. DAVID V. JOHNS |
| 8. CREDIT AGRICOLE INDOSUEZ | MR. ZAKIR MAHMOOD |
| 9. DEUTSCHE BANK A.G. | MR. M. YOUNAS KHAN |
| 10. EMIRATES BANK INTERNATIONAL LIMITED | MR. KEVIN FLANNERY |
| 11. ENGRO CHEMICAL PAKISTAN LIMITED | MR. ZAFFAR A. KHAN |
| 12. GESTETNER (PRIVATE) LIMITED | MR. FUAD AZIM HASHIMI |
| 13. GLAXO WELLCOME PAKISTAN LIMITED | MR. ALAN R. ELDRIDGE |
| 14. HABIB BANK AG ZURICH | MR. SH. EHSAN UDDIN |
| 15. HONGKONG AND SHANGHAI BANKING CORP. LTD. (THE) | MR. NICHOLAS CHERRILL |
| 16. INTERNATIONAL HOUSING FINANCE LTD. | MR. SHAMIM ZAMAN |
| 17. J. & P. COATS PAKISTAN (PVT) LTD. | MR. SAEED HAIDER |
| 18. KNOLL PHARMACEUTICALS LIMITED | MR. W. J. HARGAN |
| 19. LEVER BROTHERS PAKISTAN LIMITED | MR. I. S. SANGSTER, OBE |
| 20. MACKINNON, MACKENZIE & CO OF PAKISTAN (PVT.) LTD. | MS. FARAH QURESHI |
| 21. MERCK MARKER (PRIVATE) LIMITED | MR. S. SHOUKAT ALI |
| 22. NEW HAMPSHIRE INSURANCE COMPANY | MR. MUJIB KHAN |
| 23. ORIX LEASING PAKISTAN LTD. | MR. HUMAYUN MURAD |
| 24. P&O CONTAINERS PAKISTAN (PVT) LTD. | MR. TARIQ KHATTAK |
| 25. PAKISTAN INTERNATIONAL COMPUTERS LIMITED | AIR CDR. (RETD) V. A. ABDI |
| 26. PAKISTAN PETROLEUM LIMITED | MR. S. MUNSIF RAZA |
| 27. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD. | MR. S. NASEEM AHMAD |
| 28. PROCTER & GAMBLE PAKISTAN (PVT) LTD. | MR. PHILIPPE BOVAY |
| 29. ROYAL & SUN ALLIANCE INSURANCE PLC | DR. MUMTAZ A. HASHMI |
| 30. STANDARD CHARTERED BANK | MR. ZAHID RAHIM |

PRESENT BY PROXY:

1. ABBOTT LABORATORIES (PAKISTAN) LIMITED
2. AEG PAKISTAN (PRIVATE) LIMITED
3. ALCATEL PAKISTAN LIMITED
4. AMERICAN EXPRESS BANK LIMITED
5. BHP MINERALS INTERNATIONAL EXPLORATION INC.
6. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
7. BURSHANE (PAKISTAN) LIMITED
8. CITIBANK N.A.
9. CYANAMID (PAKISTAN) LIMITED
10. DADDEX ETERNIT LTD.
11. DOW AGROSCIENCES BV (FORMERLY DOWELANCO B.V.)
12. ENGRO ASAHI POLYMER & CHEMICALS (PVT) LIMITED
13. FAYSAL BANK LIMITED
14. GEC AVERY (PRIVATE) LIMITED.
15. HINOPAK MOTORS LIMITED
16. JAMES FINLAY PLC.
17. JOHNSON & JOHNSON PAKISTAN (PVT) LTD.
18. KELLER GRUNDBAU GmbH
19. LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED
20. MARUBENI CORPORATION – KARACHI LIAISON OFFICE
21. MITSUBISHI CORPORATION
22. NESTLE MILKPAK LIMITED
23. OERLIKON-WELDING LTD. – ZURICH – C/O PAKISTAN WELDING ELECTRODES (PVT) LTD.
24. ORGANON PAKISTAN (PRIVATE) LIMITED
25. PHARMATEC PAKISTAN (PVT) LTD.
26. RHONE POULENC (PRIVATE) LTD.
27. RHONE POULENC RORER PAKISTAN (PVT) LTD.
28. ROCHE PAKISTAN LIMITED
29. ROYAL EXCHANGE ASSURANCE
30. SHELL PAKISTAN LTD.
31. SOCIETE GENERALE
32. STARPAK GROUP (PVT) LTD.
33. TEAM S.A. (LUXEMBOURG)
34. TOMEN CORPORATION
35. TRUST BANK LIMITED
36. UNION TEXAS PAKISTAN, INC.

Mr. Mohammad Aslam invoked the meeting, with a recitation from the Holy Quran. The President, Mr. S. Naseem Ahmad addressed the meeting as follows:

"Quote"

Gentlemen,

I welcome you to the 138th Annual General Meeting of the Chamber. In addition to (31) Members present in person, we have received 36 proxies from Members. These are as prescribed in Article 36 of the Chamber's Articles of Association. The quorum prescribed under Article 31 is 25% of total membership, which is 48 including Proxies. We, therefore, constitute the necessary quorum.

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 137th Annual General Meeting held on Wednesday 25th June, 1997 at 10.30 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)

The second item on the Agenda is to receive your Committee's Annual Report for the year 1997. My own Review and the Committee's Report have already been circulated to you. I will be pleased to answer any questions arising therefrom, and now invite discussions.

PAUSE FOR A FEW MINUTES

Since there are no questions forthcoming, may I PROPOSE that the Report of the Committee for the year 1997 as circulated to Members be ADOPTED.

RESOLUTION

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 1997 AS CIRCULATED TO MEMBERS, BE AND IS HEREBY ADOPTED".

(PROPOSED BY Chair)

AND

(SECONDED BY Air Cdr. (Retired) Viqar A. Abdi of Pakistan International Computers Limited)

The Resolution was carried.

The next item on the Agenda is to pass the Audited Accounts for the year 1997. Copies are already with you and if there are any questions, I shall endeavor to reply to them.

As there are no questions, may I request a Member to PROPOSE the adoption of the Accounts for the year ended 31st December, 1997 and another Member to SECOND the RESOLUTION.

RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1997 BE AND ARE HEREBY ADOPTED"

(PROPOSED BY Mr. Nicholas Cherrill of Hongkong & Shanghai Banking Corporation Limited)

AND

(SECONDED BY Mr. M. Younas Khan of Deutsche Bank A.G.)

The Resolution was carried.

The Fourth item on the Agenda is to consider appointment of Auditors for the year 1998.

I request a Member to PROPOSE and another Member to SECOND a RESOLUTION for the appointment of Auditors.

RESOLUTION

"THAT MESSRS. A. F. FERGUSON & COMPANY BE AND ARE HEREBY RE-APPOINTED AS AUDITORS FOR THE YEAR 1998 AT A FEE OF Rs.23,000 PER ANNUM".

(PROPOSED BY Ms. Farah Qureshi of Mackinnon, Mackenzie & Company of Pakistan (Private) Limited)

AND

(SECONDED BY Mr. Mujib Khan of New Hampshire Insurance Company)

The Resolution was carried.

The Fifth item on the Agenda is to record the election of Eight other Members of the Managing Committee for the year 1998 - 99 and to receive Scrutineers Report on the election.

The Vice President, Mr. I. S. Sangster, OBE of Lever Brothers Pakistan Limited will succeed me and will assume the office of the President immediately after this meeting.

Since Mr. Munnawar Hamid, OBE of ICI Pakistan Limited was the only candidate who sent his nomination for the office of the Vice President, an election was not necessary. Mr. Munnawar Hamid, therefore stands elected as the Vice President of the Chamber for the year 1998 / 99.

This year elections were held only for the Eight Members of the Managing Committee. Mr. Azhar Hamid and Mr. M. Younas Khan 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 envelope and read the Scrutineers Report on the result of the Ballot.

The result of the Election was read.

MEMBERS OF THE MANAGING COMMITTEE
(In alphabetical order)

Mr. Tariq Amin
Mr. Moin M. Fudda
Mr. Fuad Azim Hashimi
Mr. T. V. Higgins
Mr. Zaffar A. Khan
Mr. Kamran Y. Mirza
Mr. Zahid Rahim
Mr. Syed Ali Raza

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. No such notice has been received. However I will entertain any comments from members.

PAUSE FOR A FEW MINUTES.

Before closing the meeting, I would like to request Mr. I. S. Sangster, OBE, the new President to address you.

"Unquote"

Mr. Sangster acknowledged the contribution of Mr. Naseem Ahmad and thanked him for the considerable time and effort devoted to carry out so successfully the role of the President. He then made an appeal for greater participation by the membership through meaningful and regular contribution to the work of the various Sub Committees. Efforts in this area over the last few years have led to a closer working relationship with the Government and it is vital that the success of this initiative be further developed.

The business of the Annual General Meeting having finished, the President invited members to join him for tea.

ZAHID ZAHEER
SECRETARY GENERAL

I. S. SANGSTER, OBE
PRESIDENT

PRESIDENT'S REVIEW 1998

Gentlemen

Unfortunately I am not going to be present to welcome you personally at the 139th Annual General Meeting of the Chamber, as I am leaving Pakistan before this date. However, I avail this opportunity to welcome you to the meeting on 29th June, 1999.

I succeeded Mr. S. Naseem Ahmad as President of your Chamber on 1st July, 1998 and under normal circumstances, would have continued to hold office till 30th June, 1999. In view of my retirement as Chairman, Lever Brothers Pakistan Limited, I will be leaving Pakistan on 17th May, 1999. I leave the office of President in the very capable hands of the Vice President, Mr. Munnawar Hamid.

1998 has been an eventful year for Pakistan. Civil unrest in Karachi started to escalate in March, 1998, the assassination of the former governor and renowned philanthropist in Karachi led to the dissolution of the Sind Provincial Assembly and the beginning of federal rule in October, 1998. It also resulted in the creation of military courts, which was turned down by the superior judiciary in early 1999.

In February, 1998 the Awami National Party quit the ruling PML (N) coalition with the result that the ruling party lost its two thirds majority in the senate. In Baluchistan province the Baluchistan National Party led coalition was forced to resign after the Jamhoori Watan Party withdrew its support to the government and the PML (N) legislators also withdrew their support.

The Shariah bill was introduced in the National Assembly in early October as the 15th amendment and was passed by the lower house, but aroused a mixed response from within the country and was received unfavorably by the opposition and certain members of the ruling party. The bill expired after ninety days in the first week of January, 1999 as it was not tabled in the senate (upper house) for want of two thirds majority.

The year also witnessed a heightened anti corruption drive by the government special purpose cell - the Ehtisab Bureau. In early June a Swiss Court indicted three Swiss nationals allegedly involved in money laundering for the former Prime Minister and her husband. Later the Court also indicted the former Prime Minister and her husband in the same case.

The resignation of the Chief of Army Staff on 8th October, 1998 was yet another important event of the year. This was a result of the disagreement regarding the formation of a National Security Council (NSC) to expand the role of the Army in the decision making process in the country.

Towards the end of the year the President of Pakistan issued an Ordinance empowering the Army to prosecute those who are responsible for electricity theft this was followed by extensive deployment of Army personnel to aid WAPDA.

The nuclear tests in India followed by Pakistan's own tests on 28th May, 1998 provoked condemnation from the international community and economic sanctions to prevent the arms race in the sub continent. This was accompanied by military sanctions, and halting of all non humanitarian aid.

The most dramatic development during 1998 occurred in Pakistan's balance of payments. Resulting in restriction on capital outflows from the country. This effected most businesses in Pakistan.

The impact of the nuclear tests was felt most in the financial sector specifically the banking system. The freezing of the foreign currency accounts (FCA's) created a panic among depositors and resulted in outflow of foreign currency from the country. Till end May, 1998 there was no significant change in the exchange rate. The uncertainty about whether Pakistan would default on its obligation pushed the kerb rate to an unprecedented level. The Central Bank's shrewd intervention resulted in a dual exchange rate, which is progressively being dismantled as the government moves toward unifying the exchange rate.

Generally the State Bank of Pakistan has continued to prioritize the credit needs of the private sector, and when the banks were facing acute liquidity shortage, State Bank of Pakistan reduced the statutory liquidity and cash reserve requirements. With stagnant demand for private sector credit and restrained government borrowings the Treasury Bill rates started falling after May, 1998. The reduced inflation prompted the Central Bank to put pressure on commercial banks to reduce the lending rates.

The trade deficit during the second half of the year reduced as imports declined by 20% whereas exports declined by 12% only. However in this period the workers remittances and foreign investment also declined. This was not unexpected, following the uncertainty created by the nuclear tests and the international sanctions. The sharper fall in the imports was driven by business sentiments and the impediments imposed by 30% L/C margins in July 1998 and the need to procure 50% of the foreign currency from the interbank market (FIBR).

Initially seven commodities designated as essential items could obtain foreign exchange at the official exchange rate, but by the middle of October, this was to be shortened to just two items POL and wheat. In December, 1998 the weights determining the composite rate were revised from 50:50 to 80:20 weighted in favor of the FIBR. These have in March 1999 been changed to 95:5. The upshot of all this has been that the cost inputs of industry have considerably gone up, creating inflationary pressures. It is expected that the dual exchange rate will be unified into a single exchange rate, but till such time this is done, the uncertainty will continue.

In January, 1999 the resumption of the IMF lending programme ESAF / EFF which followed a revised assessment of the country's performance and objectives and were outlined in a Policy Framework Paper (PFP). The salient features of this policy agreement are:

- Downward revision of revenue targets in view of the expected reduction in GDP growth.
- Increase in GST rate from 12.5% to 15% which has already been implemented.
- Reduction in the public sector development expenditure.

It is against this backdrop that your Committee continued to interact with the government. My predecessor, Mr. S. Naseem Ahmad in a meeting with the Prime Minister of Pakistan on 7th March, 1998 in Karachi outlined the Chamber's concerns

and the need to restore business confidence. We continued the efforts to strengthen the partnership between the government and the private sector, throughout the year.

In November, 1998 a delegation of the Chamber met the Prime Minister again in Karachi, when we highlighted the pronounced economic squeeze and the steps to be taken to restore investors confidence. The Prime Minister in response to the concerns has constituted a two member ministerial committee which will continue the dialogue with your Chamber.

In February, 1999 we have met the two Ministers in Islamabad to progress matters further.

Your Chamber has also been in constant contact with the policy making officials in the Ministry of Finance, State Bank of Pakistan, Central Board of Revenue and the officials of the Sind Government and these activities have been documented in the Committees Report that follows.

I am sure that you will agree with me that we have passed through an exceptional and very difficult year and the economy is not entirely out of the woods. With the resolution of the external payment problem, the challenge is to ensure that trade and industry return to normal. The trade and current account deficits need to be contained as much as the investors and business confidence. It is not going to be easy.

I wish to place on record my appreciation for the time and effort devoted by many Members who participated in the Chamber's Standing Sub Committees deliberations, and to my colleagues on the Managing Committee who led and chaired these meetings. Their support has been a source of strength to me, as has the contribution of the Secretary General, which has been of benefit to myself and the committee, especially insofar as the numerous external contacts and meetings of the Chamber. Mr. Martin Sulger, Mr. M. Moonis and Mr. Mick Fenn were co-opted to your Managing Committee and they too have greatly added to the contributions of the Chamber.

This year the entire committee has been elected unopposed. Mr. Munnawar Hamid succeeds me as the President of your Chamber and I am sure he will lead the Chamber to further glory. I wish him, the new Vice President, Mr. Tariq Amin and the Members of the new Committee success as they start the new term in office.

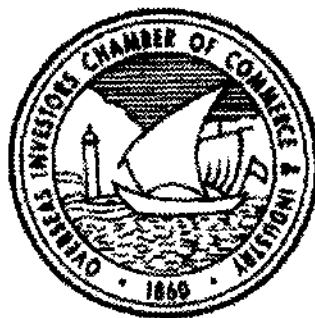
Although I will not be in Pakistan, I shall continue to look forward to hear about the Chamber's achievements. It has indeed been a great privilege for me to lead your Chamber, and I value my association with this very prestigious organization. I take back with me many fond memories of Pakistan and of the Chamber.

**I. S. SANGSTER, O.B.E.
PRESIDENT**

17th May, 1999.

**REPORT OF THE
COMMITTEE OF THE
OVERSEAS INVESTORS CHAMBER
OF COMMERCE & INDUSTRY**

FOR THE YEAR 1998



THE MANAGING COMMITTEE SUBMITS TO MEMBERS
THEIR ANNUAL REPORT UPON SOME OF THE IMPORTANT
SUBJECTS DEALT WITH BY THE CHAMBER DURING THE
YEAR ENDED 31ST DECEMBER, 1998

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► CHAMBER MEMBERSHIP

▪ NEW MEMBERS

During the period January 1998 to December 1998, following eight members were elected as new members of the Chamber:

1. **OMAN INTERNATIONAL BANK S.A.O.G.**

Nadir House,
I. I. Chundrigar Road
Karachi
Telephone No: 2410085 – 5 Lines
Fax No. : 2419204

BUSINESS

Commercial Banking

CHIEF EXECUTIVE

Mr. Ashraf N. Irshaduddin
Chief Manager Pakistan

2. **QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LIMITED**

6TH Floor, Bahria Complex II
M. T. Khan Road
Karachi-74000
Telephone No: 5610583, 5610537
Fax No. : 5610527

BUSINESS

Pakistan's first purpose built Container Terminal at Port Qasim

CHIEF EXECUTIVE

Mr. Anthony Georg Maynard
Chief Executive

3. **UBS SECURITIES (PAKISTAN) LIMITED**

1ST Floor, State Life Building No.1-A
I. I. Chundrigar Road
Karachi.
Telephone No: 2420081-90
Fax No. : 2418061

BUSINESS

Equity brokerage, equity research and corporate financing

CHIEF EXECUTIVE

Mr. Khawaja Iqbal Hassan
Chief Executive Officer

4. **ENGRO ASAHI POLYMER & CHEMICALS LIMITED**
1st Floor, Bahria Complex I
24, M. T. Khan Road
Karachi - 74000.
Telephone No: 5610617, 5610610, 5610743, 5610753
Fax No. : 5611690
E-mail : eapcl@engro.com

BUSINESS

Manufacture and market Poly Vinyl Chloride (PVC) Resin

CHIEF EXECUTIVE

Mr. Asad Umar
President

5. **ELI LILLY PAKISTAN (PRIVATE) LIMITED**
C-195, KDA Scheme No.1 Extension
Karachi-75350
Telephone No: 111-201-301
Fax No. : 4948386, 4942660
E-mail : watson_keith@lilly.com

BUSINESS

Pharmaceutical products

CHIEF EXECUTIVE

Mr. Keith S. Watson
Managing Director

6. **REFRIGERATORS MANUFACTURING COMPANY PAKISTAN LIMITED**
D-98, S.I.T.E.
Karachi-75730
Telephone No: 2576409
Fax No. : 2561379

BUSINESS

Electrical and Electronic Appliances

CHIEF EXECUTIVE

Mr. Mohammed Farooq Farooqi
Managing Director

7. **ROUSCH (PAKISTAN) POWER LIMITED**
39-C/4, Block 6,
P.E.C.H.S.
Karachi - 75400
Telephone No: 4530641-2, 4535454-5, 4556755-6
Fax No. : 4535484

BUSINESS

412 MW Combine Cycle Power Project Multan

CHIEF EXECUTIVE

Mr. Naseem Akhtar
Chief Operating Officer

8. TOTAL ATLAS LUBRICANTS PAKISTAN (PRIVATE) LIMITED

1-Mcleod Raod
 Lahore-54000
 Telephone No: 042-7359053, 7359062
 Fax No. : 042-7359081

BUSINESS

Blending and Training of Lubricating Liis & Greases, Petroleum and Petroleum products

CHIEF EXECUTIVE

Mr. Badr Omar Dennaoui
 Chief Executive

▪ OUT GOING MEMBERS

Names of the following members have been deleted from the membership of the Chamber for the reason noted against each.

(i)	Norwich Union Fire Assurance Co. Ltd.	-	Winding up of business
(ii)	Wyeth Laboratories (Pakistan) Limited	-	Merged with Cynamid
(iii)	Brooke Bond Pakistan Limited	-	Merged with Lever Brothers
(iv)	Citibank Housing Finance Co. Limited	-	Winding up of business as a result of Regulation
(v)	AST Research Inc.	-	Non payment of subscription
(vi)	Honda Atlas Cars (Pakistan) Limited	-	-do-
(vii)	R. J. Reynolds (Private) Limited	-	Closed business in Pakistan
(viii)	Team S. A. (Luxembourg)	-	-do-
(ix)	Monotype Systems Limited	-	Winding up of business
(x)	Boehringer Mannheim Pak. (Pvt) Ltd.	-	Merged with Roche

▪ CHANGE IN NAMES OF MEMBERS

On request from the respective members change in their names have been recorded in the Chamber register as follows:

	<u>Previous</u>	<u>Present</u>
1.	AEG Pakistan (Private) Limited	ALSTOM Pakistan (Private) Limited
2.	Dowelanco B.V.	Dow Agrosience B.V.
3.	Royal Insurance Plc	Royal & Sun Alliance Insurance Plc
4.	Sandoz (Pakistan) Limited	Novartis Pharma (Pakistan) Limited
5.	Ciba-Geigy (Pakistan) Limited	Novartis (Pakistan) Limited

▪ CLASSIFICATION OF MEMBERS

The Membership of the Chamber as on 31st December 1998 stands to 184. List of Members in alphabetical order appearing at the next page.

Classification of Membership as per geographical order and activities is as follows.

Country Wise

BRITISH	51
AMERICAN	42
SWISS	14
GERMAN	12
JAPANESE	15
DUTCH	8
FRENCH	9
BELGIAN	5
U.A.E	4
HONG KONG	5
CANADIAN	1
SAUDI	2
SWEDISH	2
BANGLADESH	2
AUSTRALIAN	2
DOHA	1
BAHRAIN	3
SINGAPORE	1
KENYA	1
GREEK	1
SRI LANKA	1
OTHERS	2
	184

Category Wise

1. CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS	13
2. BANKING	22
3. INSURANCE	5
4. LEASING & FINANCIAL COMPANIES	14
5. PHARMACEUTICAL INDUSTRIES	30
6. FOOD & CONSUMER PRODUCTS	13
7. SHIPPING & AIRLINES	9
8. TRADING & OTHER SERVICES	31
9. OIL / GAS & ENERGY	21
10. ENGINEERING & INDUSTRIAL PRODUCTS	18
11. TOBACCO & OTHER MANUFACTURING COMPANIES	8
	184

Note: Fifty Four members are quoted at Karachi Stock Exchange.

▪ LIST OF MEMBERS – AS AT 31ST DECEMBER 1998

1. ABBOTT LABORATORIES (PAKISTAN) LIMITED
2. ABN AMRO BANK N.V.
3. AES LAL PIR LIMITED
4. AGREVO PAKISTAN (PRIVATE) LIMITED
5. ALBARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)
6. ALCATEL PAKISTAN LIMITED
7. ALSTOM PAKISTAN (PRIVATE) LIMITED
8. AMERICAN EXPRESS BANK LIMITED
9. ANZ GRINDLAYS BANK PLC
10. ATLAS INVESTMENT BANK LIMITED
11. ATLAS LEASE LIMITED
12. ATTOCK CEMENT PAKISTAN LIMITED
13. ATTOCK INDUSTRIAL PRODUCTS LIMITED
14. ATTOCK OIL COMPANY LIMITED (THE)
15. ATTOCK REFINERY LIMITED
16. BANK OF AMERICA NT & SA
17. BANK OF CEYLON
18. BANK OF TOKYO MITSUBISHI LIMITED
19. BARRETT HODGSON PAKISTAN (PVT) LIMITED
20. BASF PAKISTAN (PRIVATE) LIMITED
21. BATA PAKISTAN LIMITED
22. BAYER PAKISTAN (PRIVATE) LIMITED
23. BEECHAM PAKISTAN (PRIVATE) LIMITED
24. BERGER PAINTS PAKISTAN LIMITED
25. BHP MINERALS INTERNATIONAL EXPLORATION INC.
26. BLACKWOOD HODGE (PAKISTAN) (PVT) LIMITED
27. BOC PAKISTAN LIMITED
28. BRINKS PAKISTAN (PVT) LIMITED
29. BRISTOL-MYERS SQUIBB PAKISTAN (PVT) LIMITED
30. BURMAH OIL COMPANY (PAKISTAN TRADING) LIMITED
31. BURSHANE (PAKISTAN) LIMITED
32. CADBURY PAKISTAN LIMITED
33. CALTEX OIL (PAKISTAN) LIMITED
34. CASTROL LIMITED
35. CIGNA INSURANCE ASIA PACIFIC LIMITED
36. CITIBANK N.A.
37. CITICORP INVESTMENT BANK (PAKISTAN) LIMITED
38. CLARIANT PAKISTAN LIMITED
39. COCA-COLA BEVERAGES PAKISTAN LIMITED
40. COCA-COLA EXPORT CORPORATION (THE)
41. COMMERCIAL UNION ASSURANCE COMPANY PLC
42. COMMONWEALTH DEVELOPMENT CORPORATION
43. CONTINENTAL BISCUITS LIMITED
44. COX & KINGS (AGENTS) LIMITED
45. CPC RAFHAN LIMITED
46. CREDIT AGRICOLE INDOSUEZ (*The Global French Bank*)
47. CYANAMID (PAKISTAN) LIMITED
48. DADDEX ETERNIT LIMITED
49. DAWOOD HERCULES CHEMICALS LIMITED
50. DEUTSCHE BANK A.G.

51. DOHA BANK LIMITED
52. DOMESTIC APPLIANCES LIMITED
53. DOW AGROSCIENCES B.V.
54. DU PONT FAR EAST INC.
55. ELI LILLY PAKISTAN (PRIVATE) LIMITED
56. EMIRATES BANK INTERNATIONAL LIMITED
57. ENGRO ASAHI POLYMER & CHEMICAL (PVT) LIMITED
58. ENGRO CHEMICAL PAKISTAN LIMITED
59. ENGRO PAKTANK TERMINAL LIMITED
60. EQUITY INTERNATIONAL (PRIVATE) LIMITED
61. EXIDE PAKISTAN LIMITED
62. FAYSAL BANK LIMITED
63. FILTRONA INTERNATIONAL LIMITED
64. GEC AVERY (PRIVATE) LIMITED
65. GENERAL TYRE & RUBBER CO. OF PAKISTAN LIMITED (THE)
66. GESTETNER (PRIVATE) LIMITED
67. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
68. GHANDHARA NISSAN DIESEL LIMITED
69. GILLETTE PAKISTAN LIMITED
70. GLAXO WELLCOME PAKISTAN LIMITED
71. HABIB BANK AG ZURICH
72. HINOPAK MOTORS LIMITED
73. HOECHST MARION ROUSSEL (PAKISTAN) LIMITED
74. HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
75. HUB POWER COMPANY LIMITED (THE)
76. IBM ITALIA - PAKISTAN BRANCH
77. ICI PAKISTAN LIMITED
78. ICI PAKISTAN POWERGEN LIMITED
79. INDOSUEZ W.I. CARR SECURITIES PAKISTAN (PVT) LIMITED
80. INDUS MOTOR COMPANY LIMITED
81. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LIMITED
82. INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LIMITED
83. INTERNATIONAL HOUSING FINANCE LIMITED
84. ITOCHU CORPORATION
85. J. & P. COATS PAKISTAN (PVT) LIMITED
86. JAMES FINLAY PLC.
87. JARDINE FLEMING PAKISTAN BROKING (PRIVATE) LIMITED
88. JOHNSON & JOHNSON PAKISTAN (PVT) LIMITED
89. JOHNSON & PHILLIPS (PAKISTAN) LIMITED
90. KELLER GRUNDBAU GmbH
91. KHADIM ALI SHAH BUKHARI & CO. LIMITED
92. KLM ROYAL DUTCH AIRLINES
93. KNOLL PHARMACEUTICALS LIMITED
94. KODAK LIMITED
95. KOT ADDU POWER COMPANY LIMITED
96. KSB PUMPS COMPANY LIMITED
97. LAKSON TOBACCO COMPANY LIMITED
98. LASMO OIL PAKISTAN LIMITED
99. LEVER BROTHERS PAKISTAN LIMITED
100. LEVER CHEMICALS (PVT) LIMITED
101. LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED
102. LUFTHANSA GERMAN AIRLINES
103. 3M PAKISTAN (PRIVATE) LIMITED
104. MACKINNON, MACKENZIE & CO OF PAKISTAN (PVT) LIMITED

105. MARUBENI CORPORATION – KARACHI LIAISON OFFICE
106. MASHREQBANK PSC
107. MERCK MARKER (PRIVATE) LIMITED
108. MERCK SHARP & DOHME OF PAKISTAN LIMITED
109. M-I OVERSEAS LIMITED
110. MITSUBISHI CORPORATION
111. MITSUI & CO. LIMITED
112. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
113. NALCO GULF LIMITED
114. NATIONAL CARBON COMPANY PAKISTAN (PVT) LIMITED
115. NATIONAL POWER INTERNATIONAL
116. NCR CORPORATION
117. NESTLE MILKPAK LIMITED
118. NEW HAMPSHIRE INSURANCE COMPANY
119. NICHIMEN CORPORATION
120. NORTHERN BOTTLERS (PVT) LIMITED
121. NOVARTIS (PAKISTAN) LIMITED
122. NOVARTIS PHARMA (PAKISTAN) LIMITED
123. OERLIKON-WELDING LIMITED – ZURICH
124. OMAN INTERNATIONAL BANK SAOG
125. ORGANON PAKISTAN (PRIVATE) LIMITED
126. ORIX LEASING PAKISTAN LIMITED
127. OTSUKA PAKISTAN LIMITED
128. OXFORD UNIVERSITY PRESS
129. P&O CONTAINERS PAKISTAN (PVT) LIMITED
130. PAK WATER BOTTLERS (PVT) LIMITED
131. PAKCOM LIMITED
132. PAKISTAN CABLES LIMITED
133. PAKISTAN CREDIT RATING AGENCY (PRIVATE) LIMITED
134. PAKISTAN GUM & CHEMICALS LIMITED
135. PAKISTAN GUM INDUSTRIES (PVT) LIMITED
136. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
137. PAKISTAN OILFIELDS LIMITED
138. PAKISTAN PETROLEUM LIMITED
139. PAKISTAN TOBACCO COMPANY LIMITED
140. PAKTEL LIMITED
141. PARKE, DAVIS & COMPANY LIMITED
142. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED
143. PFIZER LABORATORIES LIMITED
144. PHARMACIA & UPJOHN (PRIVATE) LIMITED
145. PHARMATEC PAKISTAN (PVT) LIMITED
146. PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LIMITED
147. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LIMITED
148. PROCTER & GAMBLE PAKISTAN (PVT) LIMITED
149. QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LIMITED
150. RAY SHIPPING ENTERPRISES LIMITED
151. RECKITT & COLMAN OF PAKISTAN LIMITED
152. REFRIGERATORS MANUFACTURING COMPANY PAKISTAN LIMITED
153. REUTERS LIMITED
154. RHONE POULENC (PRIVATE) LIMITED
155. RHODIA PAKISTAN (PRIVATE) LIMITED
156. RHONE POULENC RORER PAKISTAN (PVT) LIMITED
157. ROCHE PAKISTAN LIMITED
158. ROUSCH (PAKISTAN) POWER LIMITED

159. ROYAL & SUN ALLIANCE INSURANCE PLC
160. ROYAL EXCHANGE ASSURANCE
161. RUPALI BANK LIMITED
162. SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT CO.
(PVT) LIMITED
163. SCHERING ASIA GmbH (Pakistan Branch)
164. SECURITY LEASING CORPORATION LIMITED
165. SGS PAKISTAN (PRIVATE) LIMITED
166. SHEKHOO SUGAR MILLS LIMITED
167. SHELL PAKISTAN LIMITED
168. SIEMENS PAKISTAN ENGINEERING CO. LIMITED
169. SINGER PAKISTAN LIMITED
170. SKF SOUTH EAST ASIA & PACIFIC (Pte) LIMITED
171. SMITH & NEPHEW PAKISTAN (PVT) LIMITED
172. SMITH KLINE & FRENCH OF PAKISTAN LIMITED
173. SOCIETE GENERALE
174. STANDARD CHARTERED BANK
175. STARPAK GROUP (PVT) LIMITED
176. TETRA PAK PAKISTAN LIMITED
177. TOMEN CORPORATION
178. TOTAL ATLAS LUBRICANTS PAKISTAN (PRIVATE) LIMITED
179. TRUST BANK LIMITED
180. UBS SECURITIES (PAKISTAN) LIMITED
181. UNION TEXAS PAKISTAN, INC.
182. UNISYS PAKISTAN (PVT) LIMITED
183. UNITED LINER AGENCIES OF PAKISTAN (PVT) LIMITED
184. W. WOODWARD PAKISTAN (PRIVATE) LIMITED

► MANAGING COMMITTEE

▪ MEETINGS OF THE MANAGING COMMITTEE

During the period under review the Managing Committee held its meetings on 7th January, 10th February, 3rd March, 14th April, 4th May, 16th June, 8th July, 11th August, 1st September, 6th October, 11th November 1998, and 1st December 1998. Minutes of the meetings have duly been circulated to the members.

At the 138th Annual General Meeting held on 23rd June, 1998, following Members were elected to the Managing Committee for the year 1998-99.

NAME		ORGANIZATION
MR. I. S. SANGSTER	Chairman	LEVER BROTHERS (PAKISTAN) LIMITED
MR. MUNNAWAR HAMID	Co-Chairman	ICI PAKISTAN LIMITED
MR. TARIQ AMIN	Member	RHONE POULENC (PRIVATE) LIMITED
MR. MOIN M. FUDDA	Member	COMMERCIAL UNION ASSURANCE PLC
MR. FUAD AZIM HASHIMI	Member	GESTETNER PRIVATE LIMITED
MR. T. V. HIGGINS	Member	SHELL PAKISTAN LIMITED
MR. ZAFFAR A. KHAN	Member	ENGRO CHEMICAL PAKISTAN LIMITED
MR. KAMRAN Y. MIRZA	Member	ABBOTT LABORATORIES (PAKISTAN) LIMITED
MR. ZAHID RAHIM	Member	STANDARD CHARTERED BANK
MR. SYED ALI RAZA	Member	BANK OF AMERICA NT & SA

▪ MANAGING COMMITTEE CO-OPTION

The following members were co-opted to the Managing Committee during the year.

-	MR. MICK FENN	Chairman & Managing Director Pakistan Tobacco Company Limited
-	MR. M. MOONIS	Managing Director United Liner Agencies of Pakistan (Private) Limited
-	MR. M. SULGER	Managing Director & Chief Executive Siemens Pakistan Engineering Company Limited
-	MR. ALAN R. ELDRIDGE	Chairman & Managing Director Glaxo Wellcome (Pakistan) Limited

▪ SPECIAL MEETINGS OF THE MANAGING COMMITTEE

- A Special Managing Committee meeting was held on 16th June 1998 to discuss the speech of the Finance Minister relating to 1998/99 budget. It was agreed that OICC&I will not give a press release in this matter.
- A Special Meeting of the Managing Committee was held in the Chamber on 28th October 1998 to formulate policy issues that need to be followed up with the Government of Pakistan in order to restore the depleting level of investors confidence and the prevailing uncertainty. Executive Committee members of the American Business Council were invited to this meeting. Minutes of the meeting can be seen in **Appendix-1**.

▪ SIGNIFICANT ACTIVITIES OF THE MANAGING COMMITTEE

MEETING HELD WITH THE PRIME MINISTER AT KARACHI

A Meeting with the Prime Minister of Pakistan was held on 7th March, 1998 at Pearl Continental Hotel, Karachi. The President addressed the Meeting outlining the Chamber's concerns. Refer **(Appendix-2)**

MEETING WITH PRIME MINISTER OF PAKISTAN

A meeting was held with the Prime Minister of Pakistan in the Governor's House, Karachi on Friday 20th November, 1998 at 9 AM. Mr. Munnawar Hamid, OBE Mr. T. V. Higgins, OBE and Mr. Zahid Rahim met the Prime Minister.

A twenty-minute presentation on acetates was made by Mr. Munnawar Hamid. Mr. Farooq Hadi (The American Business Council of Pakistan) talked about the problems of Pharma industry. Mr. Munnawar Hamid talked about export of paints to CIS countries. Mr. Zahid Rahim talked about delays in SWAP Funds.

A two Member Committee of Ministers has been formed by the Prime Minister to address issues raised by OICC&I / ABC. Quarterly follow up meetings agreed with the Prime Minister.

Mr. Munnawar Hamid extended an invitation to Dinner on behalf of OICC&I to the Prime Minister. Mr. Humayun Akhter to organize this Dinner, as the Prime Minister accepted the invitation.

It was agreed that the Managing Committee would meet to formulate the position papers to be submitted to the Ministers.

- PRE BUDGET ACTIVITIES

- The Annual Budget Proposal for 1998-99 was submitted to Central Board of Revenue and Ministry of Finance Islamabad. **Appendix-3**
- Proposals were sent to Central Board of Revenue on 12th May 1998 relating to Taxation on Insurance Industry. **Appendix-39**
- The Annual pre budget meeting of the Advisory Council for Finance Division on 4th & 5th May, 1998 was attended by Mr. I. S. Sangster.
- Chamber addressed a letter to Chairman, Central Board of Revenue dated 16th June, 1998 outlining the Chamber's concerns. **Appendix-4**

- POST BUDGET ACTIVITIES

- Minutes of the meeting which took place on 30th June, 1998 at State Bank of Pakistan's premises with the Governor, State Bank of Pakistan, Deputy Chairman, Planning Commission and Additional Secretary Finance. Thirty five OICC&I Members participated in this meeting. **(Appendix-5)**
- The Secretary General addressed Chairman Central Board of Revenue commenting on Financial Bill 1998-99 vide letter dated 3rd July 1998. **Appendix-6**

- A meeting was held with Finance Minister, Mr. Sartaj Aziz on Saturday 4th July, 1998 in which Mr. I. S. Sangster, OBE and Mr. Syed Ali Raza participated. Independent Power Projects (IPP) issue was discussed. Government of Pakistan's view was propounded by the Minister. President gave an overview at this meeting in which he raised the following points:
 - a) Loss of confidence due to renege on foreign currency accounts
 - b) Extension of general sales tax good, but too high exemption limits for retailers
 - c) Facilitation of export rebates rather than obstruction is required
 - d) Smuggling – budget moves are right – we all know where the markets are, why not raid and destroy goods.
 - e) Need to be persistent with current policies
- The Secretary General vide his letter dated 22nd July 1998 drew the attention of the Chairman Central Board of Revenue on various issues raised by the Chamber in the past. **Appendix-7**
- Chamber's acknowledgement dated 3rd April, 1998 regarding nominating the President of the Chamber to the Committee of Development of Non Traditional Industrial Sector. Ref **Appendix-8**

▪ SIGNIFICANT CORRESPONDENCE ON VARIOUS ISSUES

MATTER RELATED TO OCTROI

- Letter dated 5th January 98 issued to the Secretary Local Government Department, Government of Sindh on the state of arbitrary Octroi charged in the Province of Sindh. **Appendix-9**
- Chamber's Letter dated 13th February 1998 addressed to Secretary Industries on the outcome of the meeting held with Chief Minister of Sindh on 24th October 1997. **Appendix-10**
- Chamber's letter dated 27th February 1998 addressed to Secretary Local Government, Sindh highlighting the problems relating to Octroi. **Appendix-11**
- Chamber's letter dated 17th July to Secretary Local Government, on Sindh Octroi Rates 1998/99. **Appendix-12**

INEQUITIES IN PROVINCIAL TAX COLLECTION

- Chamber's Letter dated 5th January 1998 to the Adviser for Finance to Chief Minister Sindh, Secretary Finance Sindh and Additional Chief Secretary (Development) Sindh on inequities on the Provincial Tax Collection. **Appendix-13**

ISSUES RELATED TO SALES TAX & CENTRAL EXCISE MATTERS

- Chamber's letter dated 8th January 98 addressed to the Member Sales Tax CBR a Retail Sales Tax. **Appendix-14**
- Chamber's Comments on sales tax to Member Sales Tax Central Board of Revenue. Chairman CBR and Collectorate of Sales tax on 26th June 1998. **Appendix-15**
- Chamber's letter dated 15th September to the Member Sales Tax on General Sale Tax on Distributors, Dealers and Wholesalers. **Appendix-16**

- Chamber's views dated 2nd December 98 addressed to the Chairman CBR on "GST Increase". **Appendix-17**
- Chamber's letter dated 17th April 98 to the Member Central Excise, CBR on bulk Cement issue. **Appendix-18**

PRESUMPTIVE TAX ISSUE

- Chamber's letter dated 27th April to the Chairman CBR on alternate Presumptive Tax Proposal. **Appendix-19**

WITHHOLDING TAX ISSUE

- President's Letter dated 19th September 1998 on Withholding Tax on branches of foreign companies issued to the Chairman CBR. **Appendix-20**

CORRESPONDENCE ON WEALTH TAX AND INCOME TAX ISSUES

- Chamber's letter dated 27th July, 98 addressed to the Member Income Tax CBR on "Hardships caused by section 24 (ff), 24 (fff) of Income Tax Ordinance 1979". **Appendix-21**

NEW LABOUR POLICY – CHAMBER'S COMMENTS ON

- President's letter dated 24th February 1998 summarizing Chamber's recommendation on new Labour Policy. **Appendix-22**

CHAMBER'S VIEWS ON CDC REGULATIONS

- Chamber's letter dated 22nd January 1998 to the Chairman, Corporate Law Authority on raising points for elaboration on CDC ordinance. **Appendix-23**
- Chamber through letter dated 23rd January 1998 sought explanation on Central Depository Company regulations related zakat, foreign shareholders, complaint mechanism, stamp duty, shareholder . **Appendix-24**
- Chamber's letter dated 29th April, 1998 to Central Depository Company of Pakistan reviewing CDC Regulations. **Appendix-25**

CORRESPONDENCE ON LAW & ORDER SITUATION

- Chamber's letter dated 11th February addressed to the IG Police highlighting unruly mob causing damage to chamber car. **Appendix-26**
- Chamber's letter dated 21st October to the Chief Minister Sindh on Law & Order situation and car snatching in Karachi. **Appendix-27**

COUNTERFEIT PRODUCTS

- Chamber's letters dated 2nd December and on the above subject to Dr. Syed Tauqueer Shah, Chief Minister Secretariat Lahore. **Appendix-28**
- Chamber's letter dated December 19, 1998 addressed to Mr. Tariq Ayub, Director Industries, Punjab and Chairman of the Task Force outlining the modus operandi to eliminate counterfeit products. **Appendix-29**
- Letter addressed to the Chief Minister Punjab dated December 19, 1998 on "Eliminating Counterfeits" **Appendix-30**

FOREIGN COMPANIES REGISTRATION AS CONTRACTOR & OPERATOR WITH PAK ENGINEERING COUNCIL

- Chamber through letter dated 23rd December 1998 addressed to Mr. Humayun Akhtar Khan Chairman Board of Investment on above subject. **Appendix-31**

MATTERS RELATED TO INSURANCE INDUSTRY

- Chamber's letter dated 12th October, 1998 to the Controller of Insurance on remittance of surplus fund by Foreign Members Companies. **Appendix-32**
- Chamber letter October 12, 1998 to the Collector of Custom on fire, allied perils Insurance Policies. **Appendix-33**
- Chamber's letter dated 16th October to the Collector of Custom on Insurance Policies for Custom Bound Ware House. **Appendix-34**
- Chamber's letter dated 16th October to the Federal Secretary Commerce on reforms of the Insurance Industry. **Appendix-35**

OTHER ACTIVITIES OF THE MANAGING COMMITTEE

CHAMBERS REPRESENTATION ON VARIOUS BODIES

The Managing Committee in its meeting held on 8th July 1998 approved names of Chamber's representation on various Government / Semi Government Autonomous Bodies and the Employers Federation of Pakistan for the year 1997/98. Details can be seen in **(Appendix-36)**

PAKISTAN PRIVATIZATION SUMMIT AT ISLAMABAD

The Chamber was represented by the Secretary General on Pakistan Privatization Summit held at Islamabad on 30th and 31st March 1998.

SUGGESTION TO REDUCE NATIONAL HOLIDAYS

Based on the Members response to suggest reduction in National Holidays, the Managing Committee recommended reduction in Annual Holidays to a total of ten days in a calendar year. A proposal to this effect was sent to the Prime Minister Secretariat. Copies of letter can be seen in **Appendix-37**

NOMINATION TO THE NATIONAL STATISTICAL COUNCIL

The Managing Committee nominated the Secretary General to represent the Chamber on the above council.

OICC&I MEMBER DATA SURVEY 1998

Taseer Hadi Khalid & Company were commenced to conduct Data Survey of OICC&I Members by the Managing Committee. A summary outlining the salient features of the survey report can be seen in **(Appendix-38)**

MEETING OF INSURANCE COMPANIES DELEGATION WITH CBR

The Secretary General, representing the Chamber, attended the meeting of Insurance Companies, along with Mr. Moin Fudda with Central Board of Revenue, at Islamabad on 7th November 1998.

MEETING WITH THE PRIME MINISTER ON FEDERAL EXPORT PROMOTION BOARD

On behalf of the Chamber, the President Mr. I. S. Sangster, OBE attended the above meeting in Karachi on the 11th September 1998.

CHAMBER'S NOMINATION AS DIRECTOR OF THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

Managing Committee proposed the following three names as nominees of the Chamber on The Karachi Stock Exchange (Guarantees) Limited.

- Mr. Munnawar Hamid ICI Pakistan Limited
- Mr. Zaffar A. Khan Engro Chemical
- Mr. S. Ali Raza Bank of America

MEETING WITH THE US CONSUL GENERAL AT KARACHI

A meeting was held with the US Consul General at his residence at Karachi on Friday 20th November 1998. Mr. Munnawar Hamid, OBE and Mr. T. V. Higgins, OBE discussed matters of mutual interest

▶ VISITORS TO THE CHAMBER

During the period under review following visited the Chamber:

- **7th January 1998** **Mr. Mark Kenoyer of the Asia Society**

Mr. Jonathan Kenoyer Mark of the Asia of the Asia Society visiting Pakistan had a meeting with the President and the Secretary General. The President offered to circulate the program among member, that Mr. Jonathan Mark Kenoyer had about highlighting an exhibition of art from the Indus Valley and musical concert at Carnegie hall in the USA.

- **6th February 1998** **Consul General for the Netherlands**

Mr. Bert W. Schortinghuis, Consul General of the Netherlands visited the Chamber on Friday 6th February, 1998 and discussed the issues relating to foreign investment in Pakistan with the Secretary General.

- **2nd March 1998** **IFC Mission to Pakistan**

IFC Mission to Pakistan visited the Chamber on Monday 2nd March, 1998 at 11 AM and met the President and Secretary General. Mr. James Crittle, Promotion Specialist & Team Leader, Mr. Sean Duggan and Mr. Peter Wright, Consultant, Foreign Investment Advisory Service were the three participants.

- **11th March 1998** **Consul General & Commercial Attache of Italy**

Mr. Mario Cristofoli, Consul General and Dr. Antonio Gallo, Commercial Attache. Consulate General of Italy visited the Chamber on Wednesday 11th March, 1998 and met the President and Secretary General. They discussed the prospects of Italian investment in Pakistan.

- **27th March, 1998** **Ambassador, Consul General, Commercial Attache and Representative of I. C. E., Consulate General of Italy**

H. E. Enrico G. De Maio, Ambassador along with Mr. Mario Cristofili, Consul General, Mr. Antonio Gallo, Commercial Attache and Mr. Massimo Sessa, Representative of I. C. E., Consulate General of Italy visited the Chamber on Friday 27th March, 1998 and met the President and Secretary General.
- **21st April, 1998** **Manager, South Asia, Worldlink, London**

Mr. Khalid Amin, Manager, South Asia, Worldlink, London visited the Chamber on Tuesday 21st April, 1998 and discussed the publication of special edition of the Worldlink Magazine on the occasion of the CASA summit planned for 15th September, 1998 in Islamabad with the Secretary General.
- **18th May, 1998** **Mr. Lain Dale, Chairman of the Southern Asia Advisory Group of the British Government**

Mr. Lain Dale, Chairman of the Southern Asia Advisory Group of the British Government and Ms. May Gibson, Acting British Deputy High Commissioner visited the Chamber on Monday 18th May, 1998 at 10 AM. They were received by the President Mr. I. S. Sangster OBE.
- **8th July, 1998** **Mr. T. Hutcheson and Mr. A. H. Qureshi, World Bank**

Mr. T. Hutcheson and Mr. A. H. Qureshi, World Bank visited the Chamber on Wednesday 8th July, 1998 at 2.30 PM. They were met by the Secretary General and members of the Banking & Finance Sub Committee. The meeting was chaired by Mr. Zahid Rahim.
- **23rd July, 1998** **Ms. Lorna Celia Brazell and Mr. Ronald John Cattermole, Representatives of the European Commission**

Ms. Lorna Celia Brazell and Mr. Ronald John Cattermole, representatives of the European Commission visited the Chamber on Thursday 23rd July, 1998 at 12 Noon. They were met by the Secretary General, Mr. S. Ali Raza and Representatives of Cadbury and Lever Brothers. The implementation of obligations of Pakistan under the WTO Trips Agreement was discussed.
- **16th July, 1998** **Director of Planning & Control, Middle East, North Africa & Pakistan,**

Mr. Amer Morshed, Director of Planning & Control, Middle East, North Africa & Pakistan, Pepsi-Cola International Limited, Dubai visited the Chamber on Thursday 16th July, 1998 at 10 AM and met the Secretary General and discussed matters of mutual interest.
- **6th August, 1998** **Mr. Geoffrey Allen, Australian High Commissioner**

Mr. Geoffrey Allen, Australian High Commissioner visited the Chamber on Thursday 6th August, 1998 at 10 AM and met the Secretary General. The changing economic situation in the country and the views of the private sector were discussed.

- **6th August, 1998**

**Mr. Eric Bellman, Blooming Data Services
(Private) Limited**

Mr. Eric Bellman, Blooming Data Services (Private) Limited visited the Chamber on Thursday 6th August, 1998 at 2 PM and met the Secretary General and discussed matters of mutual interest.

- **19th August, 1998**

**Mr. Shaukat Mirza, a Member of the
Commonwealth Business Council**

Mr. Shaukat Mirza, a Member of the Commonwealth Business Council visited the Chamber on Wednesday 19th August, 1998 at 11.30 AM and was met by the President and Secretary General. They discussed the possibility of OICC&I's participation in their programme.

- **1st October, 1998**

**Mr. Richard Bale, Counsellor (Commercial)
Canadian High Commission**

Mr. Richard Bale, Counsellor (Commercial) Canadian High Commission visited the Chamber on Thursday 1st October, 1998 at 4.30 PM and was met by the president and Secretary General who discussed matters of mutual interest.

- **22nd October, 1998**

**Consul (Political / Economic Affairs) and
Commercial Counselor, Embassy of the United
States of America**

Mr. Bruce R. Nelson, Consul (Political / Economic Affairs) and Mr. Amer M. Kayani, Commercial Counselor, Embassy of the United States of America visited the Chamber on Thursday 22nd October, 1998 at 11 AM. They were met by the President and Secretary General who discussed matters of mutual interest.

- **23rd November, 1998**

**Director, Global Business, Cable & Wireless,
London**

Letter dated 23rd November, 1998 from Mr. Roger F. Mortimer, Director, Global Business, Cable & Wireless, London was tabled. The gentlemen had visited the Chamber on Friday 20th November, 1998 and was met by the Secretary General.

- **9th December, 1998.**

**Mr. Syed Muzafar Ali Shah, Chairman,
Pakistan Insurance Corporation**

Mr. Syed Muzafar Ali Shah, Chairman, Pakistan Insurance Corporation visited the Chamber on Wednesday 9th December, 1998. He was met by the Secretary General and discussed matters of mutual interest.

- **10th December, 1998.**

**Mr. John G. Atkinson, Manager, South Asia,
Reuters India Private Limited**

Mr. John G. Atkinson, Manager, South Asia, Reuters India Private Limited visited the Chamber on Thursday 10th December, 1998. He was met by the Secretary General and discussed matters of mutual interest.

- **10th December, 1998**

Members of the Customs Department

Members of the Customs Department visited the Chamber on Thursday 10th December, 1998 at 3 PM. They were met by the Co-Chairman and Members of the Chamber's Standing Sub Committees on Commercial & Industrial Matter and Taxation.

▶ ACTIVITIES OF CHAMBER'S STANDING SUB COMMITTEES

CHAMBER'S STANDING SUB COMMITTEES FOR 1998-99

The following were appointed Chairmen of the respective Sub Committees. Chairman of each Sub Committee along with the Secretary General was authorized to constitute other Members of the Sub Committee:

1. Administration	Chairman	Mr. I. S. Sangster
2. Building	Chairman	Mr. I. S. Sangster
3. Banking & Finance	Chairman	Mr. Zahid Rahim
4. Commercial & Industrial	Chairman	Mr. T. V. Higgins
5. Port Trust & Communications	Chairman	Mr. M. Moonis
6. Taxation	Chairman	Mr. Fuad A. Hashimi
7. Corporate Law	Chairman	Mr. Tariq Amin
8. Environment	Chairman	Mr. Zaffar A. Khan
9. Insurance	Chairman	Mr. Moin M. Fudda
10. Labour	Chairman	Mr. Kamran Y. Mirza

It was further agreed that each Chairman be authorized to appoint a Co-Chairman, and the Chairman of each Sub Committee along with the Secretary General be authorized to incorporate other Members on to each Sub Committee. A detailed list of the Members of the Standing Sub Committees can be seen in **Appendix-40 (i) to (iv)**.

▪ ADMINISTRATION

The Following were appointed Members of the Administration Sub Committee.

Chairman	President
Co-Chairman	Vice President
Member	Mr. S. Ali Raza

▪ BUILDING

The Following were appointed Members of the Building Sub Committee.

Chairman	President
Co-Chairman	Vice President
Member	Mr. Moin M. Fudda
Member	Mr. M. Sulger

▪ BANKING & FINANCE

During the period under review the Committee held its meetings on 12th February, 29th May, 23rd July, 11th August, 5th October, 4th, 16th, 18th & 28th November & 14th December 1998. Copies of the minutes of the meetings can be seen in:

Appendix 41 (i) to (v)	Appendix 46 (i) & (ii)
Appendix 42 (i) & (ii)	Appendix 47 (i) & (ii)
Appendix 43 (i) & (ii)	Appendix 48 (i)
Appendix 44 (i) & (ii)	Appendix 49 (i) & (ii)
Appendix 45 (i) & (ii)	Appendix 50 (i) & (ii)

▪ **COMMERCIAL & INDUSTRIAL MATTERS**

The Committee held its meetings on 12th March, 14th April, 15th June, 1st 15th & 30th October, 13th November & 2nd December 1998, as appearing in the following Appendices:

Appendix 51 (i) to (iv)	Appendix 55 (i) to (v)
Appendix 52 (i) & (ii)	Appendix 56 (i) & (ii)
Appendix 53 (i) to (iv)	Appendix 57 (i) & (ii)
Appendix 54 (i) & (ii)	Appendix 58 (i) to (iv)

The Committee, during the period also finalized Chamber's proposals regarding the Trade Policy for submission to the Advisory Council of the Ministry of Commerce, Islamabad, duly approved by the Managing Committee.

Trade Policy Proposals 1998-99 can be seen in **Appendix-51 (iv)**.

▪ **CORPORATE LAW**

The Committee meetings were held on 23rd April, 24th August & 5th November 1998. Minutes of the meetings can be seen in:

Appendix 59 (i) & (ii)
Appendix 60 (i) & (ii)
Appendix 61 (i)

▪ **ENVIRONMENT**

The Committee had its deliberations on 24th March, 28th July & 23rd September 1998. Copies of the minutes can be seen in:

Appendix 62 (i) & (ii)
Appendix 63 (i) to (iv)
Appendix 64 (i) to (iii)

▪ **INSURANCE**

The Committee's meetings were held on 25th May, 27th August, 8th September, 20th October & 23rd October 1998. Minutes of the meetings can be seen in:

Appendix 65 (i)	Appendix 68 (i) & (ii)
Appendix 66 (i) & (ii)	Appendix 69 (i) to (viii)
Appendix 67 (i) & (ii)	

▪ **LABOUR**

Labour Sub Committee held its meeting on 17th September 1998. Minutes of the meeting can be seen in:

Appendix 70 (i) & (ii)

▪ PORT, SHIPPING & COMMUNICATIONS

This Committee's meetings were held on 22nd September & 13th October 1998. Minutes of the meetings can be seen in:

Appendix 71 (i) & (ii)
Appendix 72 (i) to (iii)

▪ TAXATION

Meetings of the Taxation Sub Committee were held on 13th January, 4th February, 24th April, 22nd June & 25th June, 25th August, 13th October, 30th November & 4th December 1998. Minutes can be seen in:

Appendix 73 (i) & (ii)	Appendix 78 (i) to (vii)
Appendix 74 (i)	Appendix 79 (i) & (ii)
Appendix 75 (i) & (ii)	Appendix 80 (i) & (ii)
Appendix 76 (i) & (ii)	Appendix 81 (i) & (ii)
Appendix 77 (i) & (ii)	

The Committee in its deliberation in the above meetings finalized Chamber's proposals for the Federal Budget 1998-99. These can be seen in **Appendix-3 (i) to (v)**.

► ADMINISTRATION AND OTHER MATTERS

ANNUAL GENERAL MEETING & ELECTIONS

138th Annual General Meeting was held on 23rd June 1998. Mr. S. Naseem Ahmed presided over the meeting.

Vice President Mr. I. S. Sangster, OBE of Lever Brothers Pakistan Limited succeeded Mr. S. Naseem Ahmed as the President of the Chamber.

Mr. Munnawar Hamid, OBE Chairman & Chief Executive, ICI Pakistan Limited was the only candidate for the office of the Vice-President. Mr. Munnawar Hamid, OBE accordingly was elected ipso facto Vice President of the Chamber for the year 1998-99. While eight members were elected as Members of the Managing Committee.

INFLATION COST OF LIVING SURVEY

M/s A. F. Ferguson Associates were assigned to carry out Inflation Cost of Living Survey 1998, which was circulated to the contributing members.

MERCHANTS GOLF CUP 1998

Karachi Merchant Golf Cup Competition was held on Sunday, 8th March, 1998 at Karachi Golf Club. This tournament is sponsored by Overseas Investors Chamber of Commerce & Industry every year since 1923.

A large number of entries were received. Mrs. Naseem Ahmed gave away the prizes to the following winners.

CHAMPIONSHIP	:	Mr. Mansoor S. Sultan & Mr. Arif Alam
RUNNERS UP	:	AVM Zulfiqar Shah & Mr. Aly Rana
BOOBY PRIZE	:	Lt. Colonel Basit H. Khan & Mrs. M. Hasan

Congratulating the winners of this coveted trophy President, Mr. S. Naseem Ahmed thanked the participants and wished better luck next year for those who came close to the winning.

MEASUREMENT DEPARTMENT ACTIVITIES

In the year 1998 the Measurement Department posted a revenue of Rs.1,323,900 compared to 1997 revenue of Rs.1,055,000. Revenues of the earlier years were:

	Rs.		Rs.
1989	- 355,000	1994	- 993,000
1990	- 327,000	1995	- 938,000
1991	- 727,000	1996	- 1,042,000
1992	- 967,000	1997	- 1,055,000
1993	- 958,000	1998	- 1,323,900

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. Mr. S. H. A. Bukhari of Mackinnon Mackenzie was nominated as the Chairman of the Association for 1998. The Deputy Secretary of the Chamber acts as Secretary to the Association. The Secretarial services are provided by the Chamber. This Association held its Annual General Meeting on 30th December 1998. Copy of the report is available.

REMEMBRANCE DAY – 1998

Mr. I. S. Sangster OBE, Vice President attended the ceremony on Sunday 8th November, 1998 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, as usual, continued to endorse Certificates attached to T-2 Forms of the State Bank of Pakistan till in the month of September 1998, when the issue of T-2 forms was stopped by State Bank of Pakistan. Fifty two members availed this facility during the year.



7th May, 1999

Overseas
Investors
Chamber of
Commerce
& Industry.

COMMITTEE REPORT ON THE ACCOUNTS FOR 1998

The audited accounts of the Chamber for the year ended 31st December 1998 together with Auditors Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting Rs.4,774,939/- as compared to Rs.4,090,062/- for last year. After providing for Income Tax for the year amounting to Rs.985,000/- and writing back income tax provision for prior year amounting to Rs.675,000/- this surplus is reduced to Rs.4,464,939/-.

The income of the Chamber increased by Rs.1,758,081/- compared to previous year. The major increase arose from income from measurement activities and interest income from deposit accounts.

The expenditure for the year compared to previous year increased by Rs.1,073,204/-. The major increases have been in Lease Rental charges due to acquisition of new air-conditioning plant as a replacement of old plant, utility charges, insurance expenses and some increases in personnel cost.

**I. S. SANGSTER O.B.E.
PRESIDENT**

**ZAHID ZAHEER
SECRETARY GENERAL**

**MUNAWAR HAMID O.B.E.
VICE PRESIDENT**

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

Telephones : (021) 242 6682 - 6
(021) 242 6711 - 5
Fax : (021) 241 5007 Audit
(021) 242 7938 Tax
Telex : 21155 AFFCO
E-mail : affco-abs@cyber.net.pk
affco-tax@cyber.net.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 1998 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 and 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, 1998 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

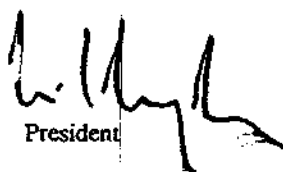
BALANCE SHEET AS AT DECEMBER 31, 1998

	Note	1998 Rupees	1997 Rupees
SURPLUS ACCOUNT			
Balance as at January 1		17,463,487	13,923,425
Surplus for the year		<u>4,464,939</u>	<u>3,540,062</u>
		21,928,426	17,463,487
SURPLUS ON REVALUATION OF FIXED ASSETS			
	4	1,169,659	1,169,659
DEFERRED INCOME			
	1(c)&2	25,120	37,680
DEFERRED LIABILITY			
Provision for staff gratuity		1,980,576	1,631,156
CURRENT LIABILITIES			
Creditors		321,065	222,202
Accrued liabilities		3,219,619	2,569,333
Subscription received in advance		1,720,125	1,612,600
Retention money		112,866	112,866
Rentals received in advance		3,810,757	3,264,534
Other liabilities		320,031	327,697
Provision for taxation		1,365,512	1,777,127
		10,869,975	9,886,359
COMMITMENTS			
	3		
		<u>35,973,756</u>	<u>30,188,341</u>

	Note	1998 Rupees	1997 Rupees
FIXED ASSETS	4	2,203,857	2,365,742
CAPITAL WORK-IN-PROGRESS			
Civil works		1,164,841	605,303
INVESTMENTS - at cost	5	4,997,800	7,150,000
LONG-TERM DEPOSITS		764,460	719,460
CURRENT ASSETS			
Stationery - at cost		210,019	199,623
Sundry debtors - considered good		154,941	19,023
Accrued mark up		2,344,780	1,870,383
Advances, short-term prepayments and other receivables	6	303,769	775,054
Cash and bank balances	7	23,829,289	16,483,753
		26,842,798	19,347,836
		<u>35,973,756</u>	<u>30,188,341</u>

The annexed notes form an integral part of these accounts

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President


Secretary General


Member Vice-President

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

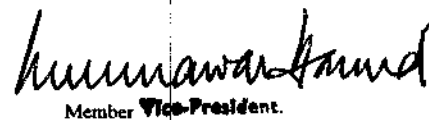
	Note	1998 Rupees	1997 Rupees
INCOME:			
Membership subscription and entrance fee		3,972,293	3,781,990
Fees for measurement, etc.		1,323,900	1,055,120
Secretarial fees		60,000	60,000
Commission on sale of publications		4,248	2,760
Building Fund Contributions		393,274	372,238
Surplus on compilation of cost of living index		50,500	28,000
Rent		2,939,762	2,556,312
Airconditioning charges		4,078,988	3,546,946
Return on investments		1,020,145	1,144,037
Interest on deposit accounts		1,502,716	486,024
Deferred income	2	12,560	12,560
Exchange gain		640,949	1,257,382
Other income		161,660	99,545
		<u>86,160,995</u>	<u>14,402,914</u>
EXPENDITURE:			
Salaries and allowances		4,490,050	3,995,057
Contributions to provident fund		210,226	183,433
Contribution to Employees' Old Age Benefits Institution		44,130	40,056
Medical expenses		234,290	221,668
Provision for staff gratuity		349,420	336,271
Cost of staff uniforms		44,550	46,950
Entertainment expenses		167,445	134,342
Insurance [net of recoveries Rs. 10,137; (1997: Rs. 10,137)]		224,038	184,091
Electricity and gas [net of recoveries Rs. 108,026; (1997: Rs. 121,100)]		918,294	768,483
Municipal taxes and ground rent [net of recoveries Rs. 107,192; (1997: Rs. 89,150)]		72,016	54,814
Repairs to building, furniture, equipment and airconditioning plant.		521,240	433,589
Postage, telegrams and telephone		384,994	365,673
Printing and stationery		388,224	537,034
Books and periodicals		45,287	61,247
Subscriptions		41,300	40,400
Travelling expenses		158,704	311,328
Lease rentals [net of recoveries Rs. 158,873; (1997: Rs. 317,744)]		2,104,251	1,216,814
General expenses [net of recoveries Rs. 56,905; (1997: Rs. 55,955)]		375,653	519,776
Motor car maintenance		98,543	91,435
Depreciation		92,391	111,588
Generator running expense		30,069	61,960
Loss on disposal of fixed assets		14,689	161,830
Legal and professional charges		145,200	214,500
Auditors' remuneration	8	95,540	81,475
Golf Club competition		135,512	139,038
		<u>11,386,056</u>	<u>10,312,852</u>
SURPLUS BEFORE TAXATION FOR THE YEAR		4,774,939	4,090,062
Taxation - provision / (write back)			
- current		985,000	550,000
- prior year		(675,000)	-
SURPLUS AFTER TAXATION FOR THE YEAR		<u>4,464,939</u>	<u>3,540,062</u>

The annexed notes form an integral part of these accounts.

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President


Secretary General


Member Vice-President.

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1998

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 4.

(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 annually 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 recognized as deferred income. Deferred income is credited to Income and expenditure account over a period of useful life of these assets.

(d) Stationery

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

(e) Revenue recognition

Income is accounted for on an accrual basis except for certification fee and commission on sale of publications which are recognised on actual receipt.

(f) Rates of exchange

Assets in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing on the balance sheet date.

Exchange gains and losses on translation are included in income currently.

	1998 Rupees	1997 Rupees
2. DEFERRED INCOME		
Balance as at January 1	37,680	50,240
Less: Credited to Income and expenditure account	12,560	12,560
	<u>25,120</u>	<u>37,680</u>

3. COMMITMENTS

Commitments for rental under operating lease agreements in respect of vehicle, office equipment and air conditioning plant is payable as follows:

Year ending December 31,	1998 Rupees	1997 Rupees
1998	-	2,176,830
1999	2,137,320	1,965,000
2000	2,137,320	1,965,000
2001	2,051,160	1,965,000
2002	1,698,660	1,698,660
2003	1,273,995	1,273,995
	<u>9,298,455</u>	<u>11,044,485</u>

4. FIXED ASSETS

	Cost or revaluation at January 1, 1998	Additions/ (disposals)	Cost or revaluation at December 31, 1998	Accumulated depreciation at January 1, 1998	Depreciation for the year/ (on disposals)	Accumulated depreciation at December 31, 1998	Written down value as at December 31, 1998	Rate of depreciation %
Leasehold land	2,406,909	-	2,406,909	989,801	24,745	1,014,546	1,392,363	-
Building on leasehold land	457,958	-	457,958	202,509	5,109	207,618	250,340	2
Electrical installations	355,272	-	355,272	252,128	7,736	259,864	95,408	7.5
Office furniture, fittings And equipments	1,256,042	15,195 (259,000)	1,012,237	666,001	54,801 (174,311)	546,491	465,746	5 & 15
Rupees	4,476,181	15,195 (259,000)	4,232,376	2,110,439	92,391 (174,311)	2,028,519	2,203,857	
1997 Rupees	5,390,055	119,010 (1,032,884)	4,476,181	2,619,905	111,588 (621,054)	2,110,439	2,365,742	

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:

	Rupees	
Cost to December 31, 1968		733,322
Accumulated depreciation to December 31, 1968		<u>278,444</u>
Net book value at December 31, 1968		454,878
Revaluation		<u>1,624,537</u>
Revaluation surplus		<u><u>1,169,659</u></u>
5. INVESTMENTS - at cost		
	1998	1997
	Rupees	Rupees
Defence savings certificates	2,000,000	2,000,000
NDFC - Golden Jubilee Certificates of deposit	2,997,800	2,600,000
Short term Federal Investment Bonds	-	2,550,000
	<u>4,997,800</u>	<u>7,150,000</u>
6. ADVANCES, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES		
Advances to employees	17,885	-
Advances to suppliers	53,198	52,441
Short-term prepayments	142,833	216,657
Other receivables	89,853	505,956
	<u>303,769</u>	<u>775,054</u>
7. CASH AND BANK BALANCES		
With banks		
on deposit accounts		
local currency	7,900,000	-
foreign currency	14,618,555	10,556,358
on current accounts	1,309,811	1,855,832
on foreign currency savings account	-	4,067,996
Cash in hand	923	3,567
	<u>23,829,289</u>	<u>16,483,753</u>

	1998 Rupees	1997 Rupees
8. AUDITORS' REMUNERATION		
Audit fee	23,000	20,000
Audit of accounts for filing income tax return		20,000
Tax services	72,540	35,000
Excise duty		4,311
Out of pocket expenses		2,164
	<u>95,540</u>	<u>81,475</u>

9. CORRESPONDING FIGURES

Previous year's figures have been re-arranged, wherever necessary for the purposes of comparison.

Q

[Signature]
President

[Signature]
Secretary General

[Signature]
Member ~~Vice-President~~

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MINUTES OF SPECIAL MEETING FOR THE MANAGING COMMITTEE HELD ON
WEDNESDAY 28TH OCTOBER, 1998 AT 2.30 PM IN OICC&I

PRESENT

MR. I. S. SANGSTER	PRESIDENT	LEVER BROTHERS
MR. MUNNAWAR HAMID	VICE PRESIDENT	ICI
MR. TARIQ AMIN	MEMBER	RHONE POULENC
MR. T. V. HIGGINS	MEMBER	SHELL
MR. ZAFFAR A. KHAN	MEMBER	ENGRO CHEMICAL
MR. ZAHID RAHIM	MEMBER	STANDARD CHARTERED
MR. SYED ALI RAZA	MEMBER	BANK OF AMERICA
MR. M. SULGER	CO-OPTEE	SIEMENS

LEAVE OF ABSENCE

MR. MOIN M. FUDDA	MEMBER	COMMERCIAL UNION
MR. FUAD AZIM HASHIMI	MEMBER	GESTETNER
MR. KAMRAN Y. MIRZA	MEMBER	ABBOTT
MR. MICK FENN	CO-OPTEE	PAKISTAN TOBACCO
MR. M. MOONIS	CO-OPTEE	UNITED LINER

THE AMERICAN BUSINESS COUNCIL OF PAKISTAN (BY INVITATION)

MR. FAROOQ HADI	PRESIDENT	(CYANAMID)
MR. TAWFIQ A. HUSAIN	MEMBER	(AMERICAN EXPRESS BANK)
MR. ANDREW LANES	MEMBER	(3m)
MR. IQBALALI LAKHANI	MEMBER	

President welcomed Members of The American Business Council of Pakistan to the meeting, which had been called to formulate policy issues that need to be taken up with the Government of Pakistan to restore the depleting level of investors confidence and the prevailing uncertainty.

Mr. Farooq Hadi on behalf of the ABC agreed that foreign investors must express serious concern, and tabled a ten point issue list prepared by the ABC.

Several Members expressed their views on the matter. The consensus that emerged was that foreign investors must not remain silent spectators, and a meeting should be sought with the Prime Minister of Pakistan, preferably in Karachi in the second week of November, 1998. Secretary General to draft suitable letter for the President's signature seeking such an appointment.

It was also agreed that a voluntary group consisting of the following:

Mr. Munnawar Hamid
Mr. T. V. Higgins
Mr. Zahid Rahim
Mr. Syed Ali Raza
Mr. Farooq Hadi

would meet at 10 AM on Saturday 7th November, 1998 in OICC&I premises to prepare the draft of the presentation to be made to the Prime Minister of Pakistan.

ZAHID ZAHEER
SECRETARY GENERAL

March 18, 1998

Mr. Hamayun Akhtar Khan
Minister of State / Charmin
Board of Investment
Government of Pakistan
12-13th Floor, Saudi Pak Tower
Jinnah Avenue
Islamabad

Dear Minister,

I write in continuation of my fax / letter of March 3, 1998 and wish to thank you on behalf of the Chamber in acceding to our request to structure the meeting on March 7, 1998 in Karachi which the Prime Minister of Pakistan was gracious enough to preside.

I am also thankful to you for agreeing to let me lead the discussions, which you will agree set the tone of the meeting.

Many of who participated in this meeting are of the view that the meeting was very useful. In order to turn this dialogue into a constructive process and to formulate consensus on government-industry matters, such an ongoing interaction is very desirable.

The Chamber would like to be intimately involved in liaising with the government to help formulate a structure for such meetings in the future. We also feel that we as a body ought to coordinate and lead contributions from 185 member companies.

I attach alongwith the letter a copy of remarks I made at the March 7, 1998 conference for *further deliberations*.

Kind regards,

Yours sincerely,

S. Naseem Ahmad
President

Encls: 2 Pages

6th March, 1998.

SPEECH BY MR. SYED NASEEM AHMAD, PRESIDENT, OICC&I
AT THE MEETING ON SATURDAY 7TH MARCH, 1998
WITH THE PRIME MINISTER OF PAKISTAN

BMR

Honorable Prime Minister, Ministers, Excellencies and Distinguished Guests Assalaam-o-Alaikum!

1. Last September when we met you, Prime Minister, we had put forward suggestions to enhance the investment environment. Your Government needs to be congratulated for announcing an investor friendly investment policy. A lot of water has flown under the bridges since then, however there are many streams to be crossed before the economy is out of the woods. The economy has been in recession for sometime. Political uncertainty hurts in any environment, but with the economy weakened and the will to reform feeble, the squeeze is more pronounced this time.
2. The policy announced last November has many incentives, but incentives alone will not work to restore the much needed investors confidence. Good governance is also necessary. The ingredients of good governance are:
 - a) Accountability, and improvement in the deteriorating law and order situation.
 - b) Transparency and participation in decision making.
 - c) Credibility, consistency, predictability and effective implementation of policies.

Actions against defaulters of loans, tax evaders and corrupt officials are all part of accountability and will add to the government's credibility and help the government in implementing tough decisions.

The seeking of waiver from the IMF conditionalities, apart from entailing commitment to undertake additional corrective measure also affects credibility. Government's hesitation in twice postponing plans to broaden the revenue base and diluted enforcement of the farm tax also affect credibility.

Under the petroleum pricing mechanism, the government was obliged to lower or raise prices of POL products in response to shifts in international oil prices. By suspending the operation of this mechanism, the government has achieved a windfall in non tax revenues, but yet again at the expense of credibility and punishing the consumers.

Non-adherence to commitments made by the Pharma and Petroleum Industry have also affected credibility.

3. For your consideration here are a few suggestions for the agenda for growth. Government's intervention to foster growth is desirable. The growing presence of the Government in economic decision making, has in the past opened up avenues and created the incentives to indulge in rent seeking. It is however important to make the distinction between government intervention that seeks to redress market failures (which justifies an active role for the government) and those which interfere in the proper workings of a market.

- a) To sustain high growth rates will require fiscal stability and high domestic savings. These in turn will attract foreign investment in the country. A balanced public finance strategy needs to be followed. Macro economic stability will allow Pakistan to sustain a stable exchange rate.
- b) Prime Minister, the fiscal position in Pakistan is the most pressing structural imbalance that is driving Pakistan's order ills. If fiscal imbalance is not corrected, Pakistan will not be able to attract foreign capital. Future requests for international assistance will carry stricter conditionalities on governance, the accountability of public funds, and elimination of rent seeking by political insiders.
4. Your government faces enormous challenges. Rampant corruption, poor infrastructure, illiteracy, growing population, poverty, a self serving elite and a business and agriculturist lobby unwilling to pay taxes. These cannot be addressed over night, but need cultural changes and sustained long term efforts and vision.
5. In the short term, adverse implications for Pakistan's trade performance could materialize within next six months. Moreover the large debt repayments over the next six months will also create problems for your government. In the absence of adequate domestic savings, fresh borrowings will be required for investment. Increasing interest rate and country risk premium payable for foreign borrowing will further raise the cost of fresh borrowings.

I put forward a few pointers for your consideration:

- a) What needs to be controlled is excessive credit expansion, an opaque financial system, unrestrained portfolio inflows and political lending.

The recourse to non bank borrowing also is fraught with danger as these sources are limited and high in costs, adding to the already onerous domestic debt service liability. The diversion of private savings to public consumption also crowds out of the private sector.
- b) Limit the cuts on development expenditure, which has already been reduced to 3% GDP from 7% GDP in 1993 with obvious multiplier effects and adverse implication on growth in the economy.
- c) Pakistan should be willing to allow trade and economic goals shape its political agenda. Pakistan should seek to market itself as a launching pad for foreign companies that are seeking to target South Asia's huge domestic markets.
- d) Simplification and rationalization of taxes, and effective control of smuggling are two areas which also need to be addressed urgently.
- e) Finally the best way to attract investments is to demonstrate success of existing companies operating in Pakistan.

I am sure that some of my colleagues will elucidate these points further. I thank you for giving me the opportunity for outlining my suggestions.

25th February, 1998.

Chairman,
Central Board of Revenue,
Government of Pakistan,
Islamabad.

Dear Sir,

BUDGET PROPOSALS FOR 1998-99

We have pleasure to submit two copies of our composite suggestions for the Federal Budget 1998-99.

The proposals have been grouped as under.

1. Income Tax, Wealth Tax, Capital Value Tax
2. Custom Duties
3. Central Excise & Sales Tax

We are forwarding two copies each of tax proposals to other Members in Central Board of Revenue i.e.:

- Member (Income Tax & Wealth Tax)
- Member (Customs)
- Member (Central Excise)
- Member (Sales Tax)

Regards

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

BUDGET PROPOSAL 1998/99

RECOMMENDATIONS OF TAXATION SUB COMMITTEE

A. INCOME TAX

1.0 CORPORATE TAXATION

1.1 Section 79 (Transfer Pricing)

Multinational companies operating in Pakistan are being subjected to heavy additions to income on account of alleged transfer pricing on imports. Such additions in most cases are made on arbitrary basis and is a 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 the line with the current international practice of adopting the "arms 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 "arms' length principle". It is recommended that appropriate guidelines in accordance with the international practice to be prescribed in the Income Tax Rules after considering the viewpoint of the affected multinational companies.

1.2 SECTION 24(1) (EXCESS PERQUISITES)

For the purpose of calculation of excess perquisites u/s 24 (1) of the Income Tax Ordinance we suggest that appropriate amendment be made to exclude perquisites paid to those employees who are paying tax under Rule 18(A) of the Income Tax Rules.

1.3 SECTION 80(D) (TURNOVER TAX)

Turnover Tax u/s 80(D) should be charged on net sales value by excluding Sales Tax, Excise Duty, Development Surcharge and other Government Levies. Furthermore assesses who have tax losses arising from accelerated tax depreciation should be excluded from applicability of Section 80(D).

1.4 INCOME TAX ISSUES FOR FOREIGN BANKS

- Income tax is being deducted at source from interest on Government Securities to foreign banks at the full corporate rate of 58% as against 30% for local banks.
- Specific provision for bad debts should be allowed as tax deductible as is the case with local banks.
- Banking Companies should be allowed to file Income Tax Returns on calendar year basis in accordance with the provisions of the Banking Companies Ordinance, 1962 and in line with the treatment to Insurance Companies.

OICCI 1998/99 BUDGET PROPOSALS

RECOMMENDATIONS OF TAXATION SUB COMMITTEE

2.0 SALARY TAXATION

- 2.1 Under the present procedure, no deduction is allowable against salary income for investing in housing and other securities, which is disincentive for the salaried class. Throughout the world, interest on loans obtained for acquisition of houses is allowed as deductible charge against salary income. If allowed this will encourage construction of houses, and furthermore it would assist in resolving the acute 'Housing' problems in urban areas. It is therefore suggested that interest on house building loans be allowed as a deductible charge whilst assessing salary income.
- 2.2 Limit on exemption from Wealth Tax should be enhanced to Rs. 2 million on the ground of erosion of Pak Rupee.
- 2.3 Rule 3 of Part 1 and SRO 709(1) 80 dated June 26th 1980 states that any interest credited on the balance to the credit of the employee participating in a recognized Provident Fund in so far as it exceeds 1/3 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% 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 from the Fund, thereby discourages saving.

OICCI 1998/99 BUDGET PROPOSALS

RECOMMENDATIONS OF TAXATION SUB COMMITTEE

B. CUSTOM DUTIES

- AD Valorem duty on imports is levied at the rate of 5% on Fuel oil and 10% on Gas oil (Diesel). This duty is subsequently recovered by the Oil Marketing Companies from the Ministry of Petroleum and Natural Resources as Company margins are controlled by the Government. This duty needs to be removed.
- During the year 1997 an amount of Rs. 500 million was paid as duty on the above products by one company only.
- It takes approximately 45 days to recover 90% of the claims from the Government and balance 10% takes over six months to recover.
- This puts an unnecessary burden on the cash flow of oil marketing companies in view of the regulated conditions of this industry. Average financing cost at 15% is Rs. 12 million for one company only.

OICCI 1998/99 BUDGET PROPOSALS

RECOMMENDATIONS OF TAXATION SUB COMMITTEE

C. CENTRAL EXCISE DUTY & SALES TAX

1. EXCISE DUTY

1.1 Multiple Taxation i.e. Tax over Tax, be removed Example: Tobacco Industry

Excise Duty (CED) is levied on finished Cigarettes and Tobacco Excise Duty (TED) on tobacco leaf.

Tobacco Industry contributed (January – December, 1998) over Rs. 12,000 million as Cigarette Excise Duty and over Rs. 240 million as Tobacco Excise Duty. Tobacco Excise Duty be abolished. Retail Price increases and market growth will compensate for the gap.

1.2 OICCI to be consulted before any merger of Excise Duty into Sales Tax or vice versa, as the former is charged on manufacturing and latter is a tax on consumption.

2. SALES TAX/G.S.T.

2.1 Certain manufacturers are made to pay GST on AD Valorem, whereas smaller/counterpart manufacturers paying Fixed Sales Tax on capacity.

Tax Discrimination be removed and AD Valorem made applicable uniformly to all manufacturers. Example: Sewing Thread, Electric Cables, Paints, etc.

2.2 Where there is no sales tax on end product, all intermediary products manufactured and used for further processing and assimilation within the factory should be exempted from Sales tax. Examples: Filter rods for Cigarettes Aluminum and Copper Rods for the Cable Industry, etc. If taxable intermediary goods are sold to outsiders – they should be taxed as usual.

16th June 1998

Chairman
Central Board of Revenue
Government of Pakistan
Islamabad

Dear Sir

1998/99 BUDGET PROPOSALS

We write in continuation with the Budget Proposals forwarded to you on 25th February 1998, and the discussions held with you in Karachi on 25th March 1998, when you kindly visited the Chamber. The deliberations of this meeting were forwarded to you on 10th April 1998 in the form of the minutes of the meeting.

We wish to acknowledge that at least our suggestions relating to the discrimination between local and foreign banks in respect of withholding tax deductions in respect of interest income on securities stands removed. We are also pleased that the problem relating to the methodology of calculations of advance tax for Banks has also been addressed, and they can now pay advance tax on basis of gross income to gross turnover.

However we write to express our disappointment especially after our Vice president met you and Dr. Hafiz Pasha on 2nd June, 1998 in Islamabad and we were left with the impression that our proposals were well received, and yet only one of our proposals has been incorporated.

The following issues are of special concern to this Chamber:

1. Perquisites received by salaried individual will now be taxed at the full rate. There is no rationale in continuing to tax excess perquisites paid to employees at the hands of the employers. Moreover the 10% surcharge on Income Tax which has been made retrospective, will cause hardship to employees. We consider this to be a retrograde step and is an example of discriminatory squeezing of those who already pay taxes.
2. The broad basing of tax net by imposing GST at the retail stage is a welcome step, as is the removal of the fixed sales tax regime. However the application of retail sales tax should have been to all and not only to those whose annual turnover exceeds Rs. 5 million.
3. The gradual reduction of income tax rates on companies was announced in 1992. However the Finance Act 1996 postponed the reduction for one year. Once again the Finance bill of 1998 proposed that the reduction in tax rates be postponed by one more year. Thus tantamounts to inconsistency in Government policy, and will not help to restore business confidence.

Similarly the burden of additional taxation should not fall on trade and industry alone and should be shared by all sectors of the economy. This will not enhance business confidence.

4. While the duties have been reduced on certain finished products, to curtail smuggling, but the corresponding reduction in duties for raw material are in many cases insufficient and will make local manufacturers less competitive. Details of such products will be forwarded in due course.
5. Our suggestions for changes in the presumptive tax and advance tax regime have not been accepted.

We trust that you will find our comments construction.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

MINUTES OF THE MEETING

Proceedings of the meeting of OICC&I members held at State Bank of Pakistan premises on Tuesday June 30, 1998 at 6:00 P.M.

MEETING ATTENDED

Government side

1.	DR. HAFIZ PASHA	DY. CHAIRMAN, PLANNING COMMISSION
2.	DR. MOHAMMAD YAQUB	GOVERNOR STATE BANK OF PAKISTAN
3.	MR. SHAMIM AHMAD KHAN	CHAIRMAN CORPORATE LAW AUTHORITY
4.	MR. MOHAMMAD YOUNUS KHAN	ADDITIONAL SECRETARY FINANCE

OICCI was represented by

-	ALL MEMBERS OF THE MANAGING COMMITTEE except Mr. Moin Fudda (out of station)	09
-	CEO's AND REPRESENTATIVES OF MEMBER COs (as per list attached)	<u>26</u>
	TOTAL	<u>35</u>

After recitation from the Holy Quran, Dr. Mohammad Yaqub, declaring the meeting open, requested Dr. Hafiz Pasha to conduct the meeting.

On Dr. Hafiz Pasha's request Mr. I. S. Sangster highlighted following points on behalf of the members:

- In the current Finance Bill salaried class has been hurt so far Income Tax is concerned.
- Additional tax on salary is payable from retrospective date instead of being effective from the new financial year.
- More facilities to be provided in respect of the Registration of Sales Tax. The application of retail Sales Tax should have been to all and not only to those whose annual turnover exceeds Rs. 5 million.
- Due to squeeze in Foreign Currency Account it is apprehended that business in general and import & export in particular will be grossly affected in the coming months.
- The present foreign exchange policy of the Government may become a deterring factor for the new investors particularly the foreign investors.

Mr. M. Sulger of Siemens said that increase in duty on raw material is a discouraging factor for the local manufacturers who have to face cheaper foreign products that are available in the market primarily due to the blessings of smuggling.

Mr. Zaffar A. Khan informed that the business class in general and the local industrialist in particular have lost their confidence in the Government policies. Government action against IPPs is one of the example while squeezing of foreign currency account is also a deterring factor. Mr. Zaffar expressed his views that Corporate Law Authority should allow companies to buy their share in the Stock Market.

After the aforesaid remarks by OICC&I, members of the Government's team responded as follows:

DR. HAFIZ PASHA

- Referring to the points raised by Mr. Sangster in respect of anomalies in Income Tax for salaried class, Dr. Pasha explained that the twin decision i.e. 10% surcharge on the Income Tax and tax on perks were taken to generate extra funds and asked the OICCI members to help the Government to fill in the resource gap.
- Dr. Pasha invited OICCI to highlight specific cases of tariff anomalies for the Government to retrieve them. Anomalies in cases related to particular industries may be brought to the notice of Tariff Commission. He promised to look in to them.
- Speaking on confidence building issue Dr. Pasha assured that all possible steps would be taken to restore the investors confidence in particular.
- He assured to look into the issue of payments by crossed cheque for the amount of Rs. 500/= and above and agreed that the sealing of Rs. 500/= is low.
- Dr. Hafiz Pasha informed that Government of Pakistan has maintained good relation with the international lenders and expects more fund to be inducted in the coming months. In fact a delegation from the World Bank is going to have discussion with the Government in a day or so.
- He assured that the Government is keenly interested in weeding out set backs arising due to changes in the policies and look forward to the cooperation of OICCI, in this respect.

DR. MOHAMMAD YAQUB

- Dr. Yaqub acknowledged the cooperative attitude foreign banks have always maintained with the State Bank.
- He said that with the exception of political decisions other problems related to fund management are not unresolvable. The Government has as usual cleared all dues as on 30th June to the lenders and is confident that in future too there will be no lapse in meeting the national and international commitments.
- Dr. Yaqub said that the sharp increase in the open market price of US Dollars was driven by speculation and warned the people to not to go crazy about dollar at their own cost and risk.

MR. SHAMIM AHMAD KHAN

Mr. Shamim Ahmad assured the members that the matters relating to allowing the companies to buy back their shares, amendments in CDC Act and registration and transfer of shares are under Government's consideration.

In the end Mr. Sangster thanked the Government officials to provide an opportunity for the members of OICCI to clear the state of uncertainties presently agitating their minds.

Meeting ended with a vote of thanks to the Chair and members present.

3rd July 1998

Mr. Moinuddin Khan
Chairman
Central Board of Revenue
Islamabad

Dear Sir

We wish to thank the Board about the prompt response of the Member Sales Tax, to the concerns of the Chamber relating to sales tax collection and registration expressed in our letter of 26th June 1998. The need to facilitate registration before 11th July 1998 cannot be overemphasized, and we know we can count on your support.

We draw your attention to our earlier letter dated 16th June 1998 about our concerns arising out of the 1998/99 Finance Bill taxation proposals. In this connection the Chamber was invited to a meeting at the State Bank of Pakistan premises on 30th June 1998 which was presided by Dr. Hafiz Pasha.

We were made to understand at this meeting that it was not the intention of the Government of Pakistan to apply the 10% surcharge on income and wealth tax retrospectively. Notification clarifying this position should be issued promptly.

The Chamber also raised the issue of amendments in the Finance Bill 1998/99 regarding the stipulation to pay by cheque for small expenditure amounts of Rupees Five Hundred, under a single head of expenditure where the amount exceeds Rs.50,000 in aggregate. A similar stipulation has been made for salary payments, that salaries above Rs.5000 per month be paid by cheque in order to be admissible as expenditure. Both the limits are unrealistic and unworkable and will create insurmountable practical difficulties for large and medium sized companies.

Dr. Pasha assured the Chamber that the matter will be reconsidered by the Central Board of Revenue in the light of difficulties that were pointed out.

The Chamber seeks your intervention in the above matters and looks forward to a favorable response.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

22nd July, 1998.

Mr. Moinuddin Khan,
Chairman,
Central Board of Revenue,
ISLAMABAD

Dear Sir,

We would like to draw your kind attention to our letter dated 16th June and subsequent letter of 3rd July, 1998 which seem to escape the Board's attention. For your ready reference, we are sending you herewith copies of both these letters.

Kindly clarify the position regarding retrospective application of 10% surcharge on income and wealth tax. Also the Chamber had raised the issue of required amendments in the Finance Bill 1998 / 99 regarding the stipulation to pay by cheque for small expenditure amounts, and salaries in excess for Rs. 5,000.

It would be much appreciated if you could please look into these matters and let us have your favorable response at the earliest.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments: Copies of letters dated 16th June and 3rd July, 1998.

3rd April, 1998.

Mr. Talat Rasheed Miyan,
Director General (PP),
Board of Investment,
Government of Pakistan,
ISLAMABAD

Dear Sir,

We acknowledge receipt of your Memorandum bearing Reference F. NO. 6(6)98-PP-II dated 17th March, 1998.

We are pleased to note that the President of this Chamber has been nominated on the Committee that has been set up on Development of Non-Traditional Industrial Sector.

We look forward to participating in the deliberations of the Committee and will be happy to contribute.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

c.c. Mr. S. Naseem Ahmed,
President,
OICC&I

5th January, 1998

Mr. Tasnim Ahmed Siddiqui,
Secretary,
Local Government Department,
Government of Sindh,
Tughlaq House,
KARACHI.

Dear Sir,

In the meeting held under the Chairmanship of the Chief Minister of Sindh on 24th October, 1997, this Chamber had raised certain issues relating to the inequities in the application of Octroi in the Province of Sindh.

We summarize below the issues which are still a cause of concern to our members:

The rates of Octroi charged in the province of Sind have now become a significant burden of cost. They are considerably higher than those payable in other provinces of the country. See summary of province-wise Octroi payable for food and consumer products Annex I and Annex II for tobacco products.

Annex III shows how the rates in Karachi and Hyderabad are totally out of line with other parts of the country and they have increased by 42% and 17% in the last two years.

Within some districts in the province there is tremendous variation shown in Annex IV.

Annex V shows how some places in the province charge Octroi on value and others by weight and the tremendous difference. Those charging by value levy ten times as much Octroi as those charging by weight.

We are aware that your department is working on these issues and hopefully have formulated suitable recommendations in the matter.

We write to request you for a meeting to discuss these recommendations with you.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

13th February 1998

Mr. Mushtaq Ahmed H. Qureshi
Additional Secretary
For Secretary to Government of Sindh
Government of Sindh
Industries, Commerce & Mineral
Development Department
Karachi

Dear Sir

We acknowledge receipt of your letter dated 6th February 1998 forwarding a status summary of the decisions and actions by the Sindh Government after the meeting with Chief Minister, Sindh on 24th October 1997.

We wish to thank you and other Government officials for their attention. Although we have had one meeting chaired by the Chief Secretary and several meetings chaired by the Secretary Local Government, the inter provincial and inter council variation in the octroi rates, and the adhoc increases in these rates, has remained under examination and has not been addressed.

Even the basis of the charge Advalorem or Weight to this point of time remains unresolved.

May we therefore request you to correct your status report specifically paragraph 3 which states that these issues have been resolved and need no further deliberations.

We also await with some concern that the issues outlined in paragraph 5, Issue Nos. 2, 3, and 4 continue to be under consideration even after the lapse of three months.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

c.c.: Mr. Naseem Ahmed
President

c.c.: Mr. I. S. Sangster
Vice President

27th February, 1998.

Mr. Tasneem Siddiqui,
Secretary,
Local Government, Sindh
5th Floor, New Sind Secretariat Building,
KARACHI

Dear Mr. Siddiqui,

In the recent meetings with your goodself on 20th January and 12th February, 1998, we had occasion to bring to your notice that the Local Council Darsani Channa (Port Qasim) has not been complying with the notification N. SOIV/9 (16) /95-UC(D. CHANNA) dated 29th June, 1995 issued by your department which clearly states that Machinery, Spare Parts and raw material be charged Octroi at 1% Advalorem. Our Member Company, ICI Pakistan has taken up this matter with your separately.

I now wish to bring to your notice another example of non-compliance of instructions issued by your department. A copy of Notification # SOIV/6(17)/93-Ucs dated 5th September, 1997 is attached.

Our Member Company, Dadex Eternit has complained that despite clear instructions issued by your department, the Hyderabad Municipal Corporation continues to collect Octroi from the Company. The factory does not fall within the jurisdiction of the Hyderabad Municipal Corporation.

The facts of the matter are:

1. That the Hyderabad Factory of Dadex Eternit is situated at Survey No. 90, 84 and 121 of Deh Met Khan and 13-28 Deh Wadhu Wah outside the territorial limits of Sindh Industrial Trading Estate (SITE) area of Hyderabad. These survey numbers of Deh Met Khan fall within the jurisdiction of Union Council, Seri. Therefore they are paying Octroi Tax for the Hyderabad Factory to Union Council Seri for the last 15 years.
2. The Hyderabad Municipal Corporation has started demanding and collecting Octroi Tax from Dadex Hyderabad Factory since 1st July, 1997. So far they have paid Rs. 707,000 as Octroi Tax to Hyderabad Municipal Corporation, Hyderabad.
3. That the company took up matter of double collection of Octroi Tax with the Local Government of Sindh. The Local Government of Sindh has issued directive to Hyderabad Municipal Corporation, Hyderabad not to collect Octroi Municipal Corporation, Hyderabad not to collect Octroi from Dadex's Hyderabad Factory. Copy of their letter is enclosed herewith as Annexure "D". In this letter the Local Government has clearly stated that Survey No. 90, 84 and 121 of Deh Met Khan where Dadex's Hyderabad Factory is situated does not fall in Hyderabad Municipal Corporation jurisdiction.
4. That despite clear instructions, Hyderabad Municipal Corporation is still collecting double Octroi Tax from the company since July, 1997 as explained above.

We shall be grateful if you will take the necessary steps to address this matter.

Kind regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

17th July, 1998.

Mr. Tasneem Ahmed Siddiqui,
Secretary,
Local Government Department,
Government of Sindh,
KARACHI.

Dear Sir,

SINDH OCTROI RATES 1998 / 99

At the last meeting of the Sindh Industries Facilities Board held on 6th July, 1998 and chaired by the Chief Secretary, it was pointed out by this Chamber that the decisions taken by the Chief Minister in an earlier meeting held on 3rd March, 1998 have not been implemented (Item 10 (a) and (b) of the Minutes refer).

Mr. Monzoor, Additional Secretary, Local Government attended this meeting and responded by saying that examples of non-compliance of the decisions taken by the Chief Minister should be provided.

We attach alongwith the letter detailed list of town in Sindh which have not complied with the Chief Minister's decision with regard to the Octroi relating to Tea. We trust you will take immediate action to ensure compliance of the decisions taken by the Chief Minister.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

c.c. : Chief Secretary,
Government of Sindh,
KARACHI.

Along with attachment.

c.c. : Mr. Salik Nazir Ahmed
Additional Chief Secretary,
Government of Sindh,
KARACHI.

Along with attachment.

u.d.c.: Mr. I. S. Sangster,
President,
OICC&I

Along with attachment.

u.d.c. : Mr. Tariq Amin

Along with attachment.

DETAILS OF NON COMPLIANCE OF CHIEF MINISTER SINDH'S DECISION

OCTROI RATES IN SINDH EFFECTIVE 1ST JULY 1998

TOWN	PREVIOUS RATES	CURRENT RATES	REMARKS
MALTI	7%	7%	CM's decision not implemented
MOYO	5%	5%	-do-
PALH	6%	6%	-do-
KARIO GHANWAR	6%	6%	-do-
SINJHORO	8%	5%	Reduced but still above 4%
JHOLE (S/T)	6%	5%	-do-
PERUMAL	6%	5%	-do-
T. MITHA KHAN (S/T)	6%	5%	-do-
CHAMBER	6%	5%	-do-
UBARO	3%	4%	Rate increased upto 4%
MEHRABPUR	Rs. 8/- per 40kg	4%	-do-
HALANI	3%	4%	-do-
KANCIARO	0.75 paisa per kg	4%	-do-
DALI GOATH	2%	4%	-do-
NAUSHERO FEROZ	0.50 paisa per kg	4%	-do-
BHIRIA ROAD	Rs.80/- per 40 kg	4%	-do-
BHIRIA TOWN	2%	4%	-do-
THARO SHAH	2%	4%	-do-
PADIDAN	Rs.60/- per kg	4%	-do-
NEW JATOI	3%	4%	-do-
SHAHPUR	3%	4%	-do-
DAULAT PUR	Rs.4/- per kg	4%	ADLG Naushero Feroz ordered that the octroi rate in the district Naushero Feroz, w.e.f. 1 st July - 98 will be 4% across the board
PHULL	Rs.20/- per 40 kg	4%	
MITHIANI	3%	4%	

5th January, 1998

Mr. Syed Sardar Ahmed,
Adviser for Finance to Chief Minister,
Government of Sindh,
Tughlaq House,
KARACHI.

Dear Sir,

In the meeting held under the Chairmanship of the Chief Minister of Sindh on 24th October, 1997, this Chamber had raised certain issues which relate to the inequities in the Provincial Tax Collection. These related to :

- a) Mark up agreement being treated as Conveyance Deeds and unreasonable demands being made for retrospective payment of enhanced stamp duty.
- b) Levy by the Sindh Government for maintenance of infrastructure on all imports, without appropriate jurisdiction.
- c) The exorbitant increase in Professional Tax in the Sindh Finance Act of 1994. The highest slab being increased from Rs. 8,000 to Rs. 500,000 is extremely harsh.

We understand that the Chief Minister has constituted a Committee to look into these matters, and by now you may have formulated certain recommendations.

We will be happy to discuss these recommendations with your at a mutually convenient date.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

8th January, 1998.

Member Sales Tax,
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD.

Dear Sir,

RETAIL SALES TAX

The Chamber welcomes the introduction of three percent tax on five categories of retail sales with the objectives to:

- a) Check smuggling
- b) To provide some protection to the Local manufactures
- c) To introduce documentation of the economy.

These have remained concerns for this Chamber in the past.

However in the category of electronic and electrical goods, particularly sales of office machines, some disparity has arisen which needs to be corrected. Included in the list of items are duplicating machines, facsimile machines, teleprinters and scanners. As there is no local manufacture of these products, the exclusion of the most commonly used office machine, the photocopier is indeed surprising. More so when given the high import tariff of 45%, it is conceivable that photocopiers would also be illegally imported.

You may be aware that there is no local manufacture of office machine products. If the intention of the Board is to check smuggling, then all types of office machines need to be included in the ambit of the retail tax, including photocopiers. Alternatively, there would appear to be no rationale for including duplicating machines and scanners which are predominantly sold to the government, armed forces and the education sector and sales therefore are documented.

We will be grateful if you may please look into this issue and remove the aforesaid disparity under advice to us.

With kind regards.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

26th June, 1998.

Mr. S. M. Kazimi,
Member Sales Tax,
Central Board of Revenue,
ISLAMABAD

Dear Sir,

This Chamber is pleased that the government has taken several measures in the 1998 /99 finance bill to ensure equitable collection of sales tax revenue.

While we support the government's efforts in widening the sales tax net, there are certain practical difficulties being faced by the trade which needs to be addressed.

Some of our major consumer product manufacturing companies have informed us that they have several hundred distributors / retailers selling their products, and therefore it will not be possible for many of them to register with the Sales Tax authorities before 1st July, 1998.

We are also aware that the Government of Pakistan machinery is unable to cope with this excessive work arising out of registration in a short space of time. We endorse that all distributors should be registered, but the realistic view is that it cannot happen by 30th June, 1998.

We therefore propose to you that for a period of one month the registered manufacturers be allowed to continue to pay 12-1/2% on transaction value to their existing distributors. During this period, our Members will undertake to provide a list of names and value of supply, and tax collected thereon, to the revenue officials.

In case the manufacturers were to charge the additional 1% sales tax of transaction value to non registered distributors / retailers, the value added nature of the supply chain will break and result in a loss of downstream sales tax revenue to the government.

We therefore assume that your approval will be forthcoming as the trade will be disrupted on the 1st July, and it is in the fitness of good governance that a smooth transition does take place.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

c.c.: Chairman,
Central Board of Revenue,
Islamabad.

c.c.: Mr. Munir Qureshi,
Collector Sales Tax (East),
Karachi.

c.c. Mr. Shahid Bashir,
Collector Sales Tax (West),
Karachi.

c.c. : Collector Sales Tax,
Lahore.

15th September 1998

Member Sales Tax
Central Board of revenue
Government of Pakistan
Islamabad.

**GENERAL SALES TAX ON DISTRIBUTORS,
DEALERS AND WHOLESALERS**

Dear Sir,

Few member companies are facing hardship in adjusting input tax on the stocks held by their Distributors, Dealers and Wholesalers as on 30th June 1998 against the supplies made by them after June 30, 1998.

Before the amendments made in the Sales Tax Act, 1990 by 1998 Finance Bill, the Distributors were not required to be registered under this Act. The amended Sales Tax Act now required them to be registered with the Sales Tax authorities, and pay Sales Tax on all supplies effective July 01, 1998. However, their purchases from local manufacturers before July 01, 1998 had been liable for Sales Tax, and the necessary Sales Tax had been deducted by the manufacturers alongwith the proper Sales Tax invoices. The Distributors will now sell these products on GST basis effective July 01, 1998 and charge Sales Tax to their customers. In the normal circumstances, Sales Tax charged on the purchases can be adjusted/deducted as "input" tax in the Sales Tax Return against the tax liability of their sales. Under the current provisions of Sales Tax, the Distributors will not be allowed to claim the Sales Tax paid on the stocks at June 30, 1998 as "input" against the Sales Tax charged on their sales, because they were not registered at the time of these purchases. Please note that at the time of these purchases, i.e. July 01, 1998 under the law, there was no requirement for them to be registered.

This would mean that they will be charging 12.5% or 13.5% as the case may be, on their supplies on which 12.5% tax has already been deducted by the manufacturers and paid to the Government exchequer. This tantamount to "double" taxation on the same products.

SRO 815(I)/98 dated July 20, 1998 though has allowed "input" on the stock purchased during 30 days prior to the registration date of the Distributors. Meaning thereby if a Distributor is registered on July 01, 1998 and has fully complied with the law, he can only claim "input" on stocks purchased between June 01 and June 30 and will not be able to adjust as "input" Sales Tax by him on the purchases made before June 01, 1998.

This, as you will appreciate, is unfair as most Distributors carry stocks from the purchases made even several months before (especially in the cases of seasonal and slow moving products).

In our opinion, the Distributors should be allowed to claim as "input" Sales Tax paid on all the stocks on June 30, 1998 without restricting it to the 30 days limit.

For favor of your consideration.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

2nd December, 1998.

Mian Iqbal Farid,
Chairman,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

GST INCREASE

Some of our member companies have advised us that all sales to their distributors are fully documented.

In light of the Sales Tax increase from 12.5% to 15% we seek your approval on the following proposal as the Sales Tax increase is being experienced by Registered Distributor of manufacturers for the first time in the history of Pakistan.

In the case of manufacturers the past practice will be followed and manufacturers will pay Sales Tax on the new rate (15%) on all sales from 1st December, 1998 (from the day of announcement of the increase.)

However, the distributors who are holding on to stocks where input sales tax has been paid at 12-1/2%, will be out of pocket if the output sales tax is 15%. These items have been already price labeled at the factory for consumer protection. Estimated stock level of the distributors are 2-4 weeks and are full documented with manufacturers invoices, etc.

The proposal is that distributors who have fully documented stock at input sales tax at 12-1/2% be allowed to liquidate this stock at the sales tax rate of 12-1/2%. All stock invoiced to the distributors from 1st December at 15% sales tax will be sold with output sales tax of 15%.

This facility should only be applicable to those registered distributors who have full documentation of their receipt and sales.

We seek your approval on the above proposal on an urgent basis.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

c.c.: Mr. S. M. Kazmi,
Member (Sales Tax)
Central Board of Revenue,
ISLAMABAD.

FAX NO. 051 – 9215418
Udc: Mr. Philippe Bovay – Procter & Gamble

Udc: Dr. Aruna Bandaranayake – Lever Brothers

17th April 1998

Mr. Mohsin Asad
Member
Central Excise
Central Board of Revenue
Islamabad

Dear Sir,

We have been informed by our member company Dadex Eternit Limited that the clearance of loose cement has been stopped by the Superintended Central Excise, Baldia Circle Karachi with effect from 14th March 1998, and the factory's productions suffering.

A copy of the company's fax addressed to your on the 16th April, 1998 is attached. We seek your intervention in the matter, as it cannot be the intention of the Government to disrupt production. Your early attention will be appreciated.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachment:

27th April, 1998.

Mr. Moinuddin Khan,
Chairman,
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD.

Dear Mr. Khan,

Further to Mr. Naseem Ahmad's letter dated 10th April, 1998 forwarding you a copy of Chamber's presentation on Taxation Matter.

We now wish to place before you the attached documents, which is an alternate Presumptive Tax proposal, and an additional proposal of Sales Tax for your consideration.

Regards

ZAHID ZAHEER
SECRETARY GENERAL

Attachments: 1. Alternate Presumptive Tax proposal
2. Additional proposal of Sales Tax

Presumptive Tax Proposal

Companies have two options:

Get final tax assessment on Presumptive Tax

- Withholding tax is considered final tax liability.

OR

Get final tax assessment on net income basis.

To qualify:

- Companies must be incorporated (Companies Ordinance 1984)
- For Private Limited Company – books audited by a firm of certified chartered accountants.

Proposal

- Combine manufacturing and trading income/loss for tax assessment.
- Current tax losses if any can continue to be offset against the combined income
- Two options for final assessment:
 1. pay advance tax on a quarterly basis based on higher of last year declared income plus 20% or last assessed taxes. No withholding taxes in this case
 2. For companies that file own estimate of advance tax, continue paying withholding tax
- No minimum turnover tax.

Tax assessment

- Tax assessment must be finalized within 90 days of filing of tax returns.
In case taxes paid on advance or withholding tax higher than tax assessed on net income basis, refund must be made in 30 days of finalization of tax assessment.

27.4.1998

SALES TAX ON IMPORTED GOODS / CUB's

It is being proposed that for all imported goods, Sales Tax paid at import stage should be considered as final liability until such time that GST other than Fixed Sales Tax is implemented at Retail Level.

19th September, 1998.

Mr. Moinuddin Khan,
Chairman,
Central Board of Revenue,
Government of Pakistan,
Islamabad.

Dear Mr. Chairman,

WITHHOLDING TAX

This Chamber has time and again been drawing the CBR's attention to discriminatory treatment meted out to branches of foreign insurance companies in matter of taxation. One of the issues adversely affecting them rather severely is the deduction, under Sub Section (3) of Section 50 of the Income Tax Ordinance, of advance tax at the time of making any payments to them.

As you are aware, Sections 50 (3) of the Income Tax Ordinance 1979, required all persons responsible for paying to a non resident, any sum chargeable under that Ordinance, to deduct at the time of payment, except as provided therein, tax at the rates specified in the First Schedule.

Section 50 (4) ibid. enjoined upon all persons responsible for making any payment in full or in part or in part to any person being a resident on account of supply of goods or for services rendered or execution of a contract, to deduct advance tax at the time of making such payment, at the rates specified in the said schedule. Payments to resident insurance companies fall within the purview of this section and as such no discrimination was intended to be made between either of the two recipients. However, the CBR, exempted vide its Circular No. 1 (25) /IT/1/80 dated the 1st October 1980, payments made to residents insurance companies from the requirement of deduction under Sub Section (4) of Section 50. But, a similar exemption was not extended to payments to be made to non-residents insurance companies under Sub Section (3) ibid. This discrimination fomented a strong resentment among branches of foreign resident companies in Pakistan. They agitated this discrimination with perseverance. At long last, their demand was conceded and in the Finance Act, 1995-96, payments made to all branches of foreign resident companies based in Pakistan were also declared exempt from the operation of Section 50 (3). This Chamber appreciated the positive step taken by the Government. However, unfortunately, that exemption has been withdrawn through the Finance Act, 1998-99, although no change took place in the circumstances under which this exemption was first allowed in 1995-96 budget. Consequently, payments to branches of foreign resident companies has again been rendered subject to deduction of withholding tax which in the case of foreign insurance companies is applicable at the rate of 30%. The anomaly created by the CBR's Circular dated the 1st October 1980, referred to above, has thus been revived, while the local companies still continue to enjoy the benefit of exemption granted under the circular referred to above.

This invidious discrimination betrays an inadvisable vacillation and swing in fiscal policies and hits foreign insurance companies hard. It will undermine and erode their entire premium income including that part thereof which is subject to coinsurance or re-insurance. In the case of a lead in co-insurance, the entire, or at least a major part of, premium will be wiped out by the impugned deductions. The nature of business of the non-resident companies is such that if withholding tax is deducted on 100% premium, the amounts of reinsurance cessions including the 20% element under compulsory cession to PIC and an additional 35% to it in treaties will also be affected adversely. Moreover, they have to pay expenses, commissions, and claims out of the balance. Therefore, the withholding tax will cause negative cash flow because of taxes being levied on revenue not actually earned.

There are five foreign companies in Pakistan who have been operating for more than five decades and all of them have been regularly assessed by the tax authorities since the time of independence. Should any company decide to wind up its operations it would not be done over night. The Eagle Star Company is a case in point. That company had ceased operations in the year 1975 and up till today due to various requirements under State Bank regulations and Insurance Act Rules, the permission for remittance has not been granted.

I am, therefore, to request that the matter may be viewed at earliest with the consideration it deserves and the discriminatory treatment may please be removed by issuing a circular similar to the one issued dated the 1st October 1980 No.1 (25) /IT/1/80 for resident insurance companies.

Yours sincerely,

I.S. SANGSTER O.B.E.
PRESIDENT

27th July, 1998.

Mr. Mohammad Sarwar Khawaja,
Member,
Income Tax,
Central Board of Revenue,
ISLAMABAD.

Dear Sir,

HARDSHIPS CAUSED BY SECTION 24 (ff) & 24 (fff) OF THE INCOME TAX ORDINANCE, 1979

We write further to our letter of 22nd July, 1998. The Finance Act, 1998 whereby Section 24(ff) of the Income tax Ordinance, 1979 has been amended and a new Section 24 (fff) has been introduced and would inform you of the hardships being faced by our member companies in this respect.

SECTION 24 (ff)

The amended Section (ff) seeks to disallow expenditure in respect of a single head of account exceeding Rs. 50,000 in aggregate if not paid by crossed cheques or drafts.

However, payments not exceeding Rs. 500 or payment of postage and utility bills can be made in cash.

It appears that the payments made through other banking channels i.e. through credit cards, cash cheques though credited in the respective bank accounts, pay order, bank transfer, etc., would also be treated as inadmissible expenditure.

In this connection, we would inform you that the following payments through crossed cheques or drafts may not be acceptable to the recipients:

- Payments on account of purchase of goods including utility items in small quantities, or for services rendered such as helpers, transporters (including camel carts or hand carts, etc.) specially in villages, small towns and cities;
- For purchase of tickets of airlines or trains with certain exceptions;
- Payments at hotels, restaurants for business entertainment or such expenses during travelling;
- Hire of temporary laborers;
- Other purchases from market for day to day expenses such as stationery items, milk, tea, sugar, etc., which are normally sold on cash basis and not on the basis of crossed cheques / or drafts;
- Purchases of canteen supplies especially vegetable, mutton, beef, chicken, rice, flour, etc., required for canteen facilities provided to workers under certain statutes.

Moreover, the limit of Rs. 500 is too low and needs enhancement at least to an individual payment of Rs.25,000 and not to the aggregate payment in singly account head. This restriction should, however, not apply to the following transactions:

- a) Payments on account of purchase of air tickets provided used copy of the ticket is produced before the Assessing Officer, if he requires.
- b) Payments for purchase of railway tickets, travelling by bus, rickshaws, etc.
- c) Payments on account of purchase of canteen supplies.

We shall also be grateful if you will confirm that the clarification issued by the Central Board of Revenue vide Circular 6 of 1990 dated 15th July, 1990 is still applicable. This circular had clarified that the condition of payment through crossed check or bank drafts will have restricted application and will relate to profit and loss account expenses like rent, salary, repairs, travelling, advertisement and entertainment and would not effect purchases and other manufacturing and trading account expenses.

SECTION 24 (fff)

A new Clause (fff) in Section 24 of the Income Tax Ordinance, 1979 has been introduced whereby any amount paid as salary on or after 1st July, 1998 will not be allowed as an admissible expenditure unless it is paid through a crossed cheque or transfer to the employee's bank account where such amount exceeds Rs. 5,000 and through a bearer cheque where it does not exceed Rs. 5,000.

We would inform you that the aforesaid Clause (fff) of Section 24 is contrary to the provisions of Section 6 of the "Payments of Wages Act, 1936", which required payment of wages in cash. This section reads as follows:

"6. Wages to be paid in current coin or currency notes.- All wages shall be paid in current coin or currency notes or in both." (underlining ours)

Consequently, the relevant law does not permit payments of wages through cheque and bank transfers. Moreover, CBA Union under the Union Agreement already concluded insist on payment of benefits under such agreement in cash.

There are thousands of workers on daily wages, or on low monthly wages. Thousands of petty contractors and workmen are paid small amounts. Many of them are illiterate and are on daily or weekly wages. It will be difficult for them to open and operate bank account. Further, even the nationalized banks have imposed minimum limits on account balances, e.g. Habib Bank Limited will charge Rs. 150 per half year if the balance falls below Rs. 1,000. A low paid worker will never comply with the condition of having such balance as he will normally withdraw the whole of the amount credited to his bank account.

In view of the above, it is requested that this Clause should apply in cases where the salary is being paid to the employees getting taxable salaries. The payment to the workers / laborers, peons and other manual staff should be exempted from the provisions of this Clause.

It is further proposed that the workers / laborers who are governed by the payment of Wages act, 1936 and Shops and Establishments Ordinance, 1969 or any other Labour Law should also be exempted from the application of the above provisions.

An immediate action on your part will be much appreciated.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

FAX NO. 051 - 9205308

c.c. : Mr. Moinuddin Khan,
Charmin,
Central Board of Revenue,
ISLAMABAD.

24th February, 1998.

Mr. Sheikh Rashid Ahmed,
Federal Minister of Labour,
Government of Pakistan,
Block "B" Pak Secretariat,
ISLAMABAD.

Dear Sir,

NEW LABOUR POLICY

This Chamber has been concerned at the delay in announcing the new labour policy. In this connection, we attach a Memorandum which summarizes our recommendations in this matter.

The Managing Committee of OICC&I would very much appreciate if you could kindly spare some of your valuable time and visit the Chamber to discuss macro issues relating to labour matters. Kindly let us know the date and time convenient to you.

Yours truly,

S. NASEEM AHMAD
PRESIDENT

Attachments:

22nd January, 1998

The Chairman,
Corporate Law Authority
State Life Building No. 7,
Blue Area,
ISLAMABAD.

Dear Sir,

We have been in discussions with the CDC in respect of several questions and have agreed on the final draft Issuer Agreement as well as on the regulations of the CDC which we will be pleased to recommend to our members, once the CDC has formally acknowledged their agreement of the final draft of the Issuer Agreement. During our review of the CDC Ordinance and the regulations several matters came to our attention which we would request you to examine further:

1. TRANSFER LIMIT

The Ordinance requires share transfers to be completed within five days. This is a considerable reduction from the 45 days that was provided previously. Whilst five days should not be a problem for a company with a limited turnover of shares such as PTC, HUBCO, ICI and Engro. Furthermore, many companies will find it difficult to fulfil this requirement during the period when their shares are being inducted on to the CDC system. We believe that some transition arrangement should be put in place for the period when companies are being inducted to the CDC system. In addition, we would be grateful if the CLA would look once again at the time limit with a view to relaxing it for larger transfers for which additional time may be provided.

2. FEE LEVELS

A number of companies which have few shareholders both in number and in trades felt that the fee levels of the CDC are too high in relation to the service provided to them. We would be grateful if you could review the fee structure in this respect and provide for some additional reduction in the case of smaller companies. Under the regulations the CDC may not change its fees without the prior approval of the CLA. We believe that this is a very powerful check that exists on the costs that the CDC may incur but can only be effective if the CLA is vigilant.

3. FINANCIAL STRENGTHS OF BROKERS

The success of the CDC system could be undermined if any of the participants, in particular the brokers, did not have the financial support to fulfil the obligations which are imposed upon them under the new system. In particular the indemnifications given in respect of fraud. We would be grateful if the CLA would examine the requirements for participants in respect of insurance against fraud and other fidelity issues including the capital requirements of broker participants.

4. BROKERAGE FEES

It is clear to us that with the advent of the CDC, the costs of brokers will fall considerably as they will be able to scale back their back offices. We would hope that the CLA will examine brokerage fees charges to our shareholders in view of these savings and ensure that brokerage charges fall accordingly.

We are pleased that we have now been able to have constructive discussions with the CDC and we look forward to helping to make CDS a success both for our shareholders and the country as a whole. We stand ready to assist the CLA in its important task of regulating the CDC.

We look forward to hearing from you in respect of the above at your earliest convenience.

Yours sincerely,

TARIQ AMIN
CHAIRMAN,
CHAMBER'S STANDING SUB COMMITTEE
FOR CORPORATE LAW

23rd January 1998

Mr. Najam Ali
Chief Executive
Central Depository Company
Stock Exchange Building
Karachi

Dear Mr. Ali

We would be grateful if you could provide us with further explanation in respect of the following.

1. Zakat

The CDC Act and the CDC Regulations do not contain any specific provision relating to the identification of shareholders for the purposes of deduction or otherwise of Zakat. At present it would seem that Zakat would have to be deducted from all Shareholders whose names appear on the first day of Ramazan irrespective of whether in fact Zakat is applicable or not. This would be in contravention of the provisions of Zakat and Ushr Ordinance 1980.

2. Foreign Shareholders

The procedures as they stand at the moment do not appear to have a method to identify share purchases made by foreign shareholders as required by the State Bank Regulations.

3. Complaints mechanism

A CDC does not allow Issuers access to its system to undertake random inquiries and checks, in the event of complaints from share holders it would be difficult, if not impossible, for an issuer to respond effectively as the required information may not be available to the Company at the specific time. We believe it is important to institute a formal procedure which may be followed in the event of complaint which would entail a greater degree of Issuer or relevant records needed to pursue any investigation effectively.

4. Stamp Duty

It would appear that the CDC has the right to ask any issuer to provide it with a share certificate whenever its shareholding changes. As the Stamp Duty is an ad volarum tax this might cause considerable cost to the Issuer if CDC exercise this right.

5. Shareholders Listings

This procedure at present envisages shareholders listings being produced at the end of each month in arrears and only updated for book closure. This procedure is clearly inadequate to cater for company's specific requirements for shareholders listings, which do not fall at the month end or on book closure.

We would be grateful to hear from you in respect of the above at your earliest convenience.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

29th April, 1998.

Mr. Najam Ali,
Chief Executive,
Central Depository Company of Pakistan,
8th Floor, Karachi Stock Exchange Building,
Stock Exchange Road,
KARACHI.

Dear Mr. Ali,

REVIEW OF CDC REGULATIONS

We have reviewed the CDC Regulations and have the following points to raise for information and further clarification:

REGULATION 2.6.1

The term "Notifying" is not defined. Should we rely on the General Clauses Act?

REGULATION 2.6.2

It would appear that you are intending to transmit messages electronically. Will paper versions be issued later? Will our electronic notices be acceptable in a court of law? Has the international protocol on electronic documents been ratified by the Government of Pakistan for this purpose?

REGULATION 2.6.4 (a) (ii)

Instead of "last known", it would be better to send documents to the "last registered" or "notified address".

REGULATION 2.6.5 (a)

Our practical experience is that Registered post does not necessarily arrive by the 3rd business day. So it would be unreasonable for there to be a presumption that Registered mail is received. Would it not be better for receipt to be acknowledged?

REGULATION 2.6.5 (c)

The date of receipt of document sent by Fax should be first working day at which it is received during business hours. The definition of "working days" should also follow the normal practice which is any day banks are open for business.

REGULATION 2.6.7

It appear unreasonable that if due to an accidental omission by the CDC, notice is enforceable against a person who has not had adequate notice. Surely natural justice requires that effective notice must be given before enforcement.

REGULATION 2.7

What circumstances would arise to "Substantial Injustice"

REGULATION 2.11.1

We would be grateful if you could send us the most upto date versions of the Account Holder, Participant, Eligible Pledge and DVP Account Holder Agreements.

The definition of "Business Day" should be "Any day on which Banks are open for business in Karachi". We would be grateful if you could provide us with the Designated Time Schedule.

REGULATION 3.7.1

We would be grateful if you could send us a procedure as approved by the CDC Board.

REGULATION 3.10.9

As the liability attaching to CDC is limited to negligent conduct or omission, it does not seem reasonable that the amount payable under the indemnity should be limited to the value of the securities represented. The costs arising from the negligence of CDS could be higher and it is only reasonable that they should all be covered in the event that negligence is proved. Surely the indemnity should be unlimited.

REGULATION 3.14.6

We presume that the right of the Chief Executive to determine a dispute requires the consent of both parties. This is not clear in the Regulations.

REGULATION 3.16

It would be better if there was an independent panel to deal with complaints against the CDC. Self regulation by the CDC in this matter may well be misunderstood and lead to problems in the future.

REGULATION 3.18

We would be grateful if you could provide us with copies of Reports available in the CDS.

REGULATION 4.10.4

Has a postponement or waiver been granted by the CDC to any CDS element so far?

REGULATION 5.1.3

The Companies Ordinance required publication in at least one English and one Urdu newspaper. It would be appropriate if the CDC followed the same pattern for notice appearing in newspapers.

REGULATION 5.1.5

Although the Regulation very clearly states that the eligibility date for an Issuer's securities can be mutually agreed between CDC and the Issuer, the CDC has advised the OICC&I that it will not force Members to join.

REGULATION 7.1.6

We would be grateful if you could provide a copy of the approval of the medium of communication for the CDS elements and the CDC. At the initial deposit a participant/account holder can only submit shares and transfer deeds for shares registered in his own name. It is implied that the transfer deeds will be signed on transfer into CDS.

By whom?

REGULATION 8.2.5

The word "Accepted" should be replaced by the words "Received for verification for CDC deposit."

REGULATION 8.4.4 (e)

Will the disablement apply to specific request or all outstanding requests ?

REGULATION 12.1.1 (b)

The definition of relevant newspapers should be the same as that in the Companies Ordinance.

REGULATION 13.1.3

It is clear that the CDC has the right to inspect records of the CDC element including the Issuer but surely the CDC element including Issuer should also, upon reasonable notice, be able to inspect records of the CDC relevant to its shareholders.

The above analysis is not exhaustive, but we believe that it does cover the material areas requiring further clarification, either in writing or at a meeting.

Thank you for your help with this matter.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

11th February 1998

Mr. Aftab Nabi
Inspector general of Police
Sindh
Police Head Office
Karachi

Dear Sir

I write to draw your attention to the ugly incident that happened today at about 10.30 AM in the heart of the city on I. I. Chundrigar Road, less than a few hundred yards from the Police Head Office.

At about 10.15 AM I was coming to office in my official car (Reg. No. AAY 741 Toyota Corolla 2.0DG) while waiting at the traffic light, at the National bank of Pakistan crossing to make a right turn, the car was attacked by three or four persons, who were throwing stones and using sticks. Several stones were hurled at my car, causing damage to the windows. Thereafter the car was badgered by sticks and pipes, all while three policemen on duty in uniform, watched the incident, and made no attempt to save me or my driver from the attack of hooligans.

Other cars were also at the intersection and some of them were also stoned. Finally I and my driver crawled out of the car to avoid being hit by flying stones and took refuge in the building alongside the road.

May I request you to depute someone to investigate the matter and register a formal report.

I am sure that these sorts of incidents if left unnoticed and unpunished will only shatter the business confidence further.

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

21st October 1998

Chief Minister of Sindh,
Chief Minister's House,
Dr. Ziauddin Ahmed Road,
KARACHI.

Dear Sir

LAW AND ORDER SITUATION / CAR SNATCHING IN KARACHI

The unsatisfactory law and order situation in the city of Karachi, for the last couple of years, has been a source of great concern for every individual and corporate citizen of this large metropolis.

One of the areas of concern is the increasing number of car thefts in almost all areas of the city. These incidents, besides being extremely traumatic for the victims, have a significant impact on the Insurance Companies as they are faced with abnormally high losses in their motor portfolio. Attached are some excerpts from the daily "Dawn" on this subject wherein it is evident that there has been further deterioration in 1998.

The situation is a source of great anxiety to our members, especially the Insurers. Our Chamber wishes to express to you its serious concern in this regard.

We request you to give this matter your urgent attention.

Thanking you

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

FAX 042-9200130 / 9200160

2nd December 1998

Dr. Syed Tauqeer Shah
Deputy Secretary
Chief Minister's Secretariat
Lahore

Dear Sir

This refers to the meeting held with the Chief Minister Punjab on 24th September in Lahore, with Members of this Chamber for the purpose of eliminating counterfeits in Pakistan.

We understand that the Chief Minister of Punjab has constituted a Punjab Government Task Force to develop a program for checking and controlling the sale of counterfeit products in the Province of Punjab.

To interact with the Punjab Government, this Chamber and The American Business Council of Pakistan have nominated the following two persons:

1. Mr. Philippe Bovay Vice President, ABC
2. Mr. Zahid Zaheer Secretary General, OICC&I

Both Chambers have agreed to set up a Steering Committee consisting of Representatives of the following companies:

Shell Pakistan Limited
Lever Brothers Pakistan Limited
Procter & Gamble Pakistan (Private) Limited
Pepsi Cola International (Private) Limited
Pakistan Tobacco Company Limited

who will coordinate with the Punjab Government task force to develop a roll out program. For this purpose we are requesting that a first meeting be arranged for either Saturday 12th December or Monday 14th December 1998 in Lahore. Mr. Philippe Bovay and Mr. Zahid Zaheer will travel to Lahore for this purpose.

Please advise us the names of the Members of the Task Force constituted by Punjab Government, and confirm the date of the first meeting to enable us to make the necessary arrangements.

Kind regards

Yours sincerely

ZAHID ZAHEER
SECRETARY GENERAL

FAX NO. 042 - 7562760

19th December, 1998.

Mr. Tariq Ayub,
Director Industries,
Chief Minister's Secretariat - Punjab,
Lahore.

Dear Mr. Ayub,

ELIMINATING COUNTERFEITS

Thank you for the very productive meeting with you and your team on Friday evening and the patience shown in delaying the meeting due to the late arrival of the aircraft from Karachi. This note hopefully captures the key agreements and next steps.

1. Overall: Our strategy and lead plan at this time is:

- * Government to promulgate Ordinances to make laws more effective, simultaneously initiate the procedure with Parliament for enactment. Target date January 15, 1999 for issuing of Ordinances.
- * Run a press campaign January 15 - 31 to create awareness of the changes and impending crackdown.
- * As of February 1 strike at both manufacturers and shops selling counterfeit products.
- * Obtain widespread publicity of the crackdown to act as a deterrent.
- * Ensure the program set up will work effectively over the mid and long term.

2. Changing / Creating Laws:

To be truly effective, our program will include changing / creating laws to make counterfeits a cognizable offense, non-bilabial, with mandatory jail sentences for people found guilty appeals to be settled within a finite period of say 30 days with a high Rs. 1 Million minimum bail during the appeal period. Offences must be adjudicated by Executive Magistrates.

Agreed Next Steps:

- * By December 26 - 28 the Chamber will propose changes to the current laws.
- * The Government Team will refine and aim to have the appropriate Ordinances in place by January 15.
- * The Government Team will work to convert the Ordinances into acts of Parliament before the Ordinances expire.

3. Laboratory Analysis:

We agreed to have one laboratory that would analyze alleged counterfeit products for the entire country, and whose results would be accepted in courts of law in the entire country. One laboratory would be the most efficient for all. Next Steps:

- * A team from Lever, P & G, Shell along with the Government will visit several laboratories, likely in the Lahore area, and recommend which laboratory would be the best suited to be the "anti-counterfeit" Laboratory. Mr. M. Qaysar Alam of Lever will telephone Additional Director Industries, Mr. Malik on December 22 - 23 to form up a visit schedule.
- * The Team will visit the laboratories and prepare a recommendation by December 26 - 28.
- * During January the Private Industry Companies involved, supported by the Government Team, would work with the chosen laboratory to ensure that it is properly equipped and technicians trained to properly analyze products. The laboratory must be up and running by February 1.
- * By December 28 each company in the lead product categories will finalize a "Standard Operating Procedure for Determining Counterfeit Product" for eventual release to the Laboratory. The Standard Operating Procedure will detail the products sold by the Company in the category. It will outline a step-by-step procedure that the Laboratory must follow to determine if product is genuine or counterfeit.

For each step the Procedure will list the equipment needed, the required education level of the technician, the time needed for the test, the approximate test reliability and the test method.

4. Press Campaign: We agreed to run a press campaign to create awareness and act as a deterrent. Private Industry will draft the proposed advertisement and the Government will accord final approval. The press campaign will be run for the 10 - 14 days before the first crackdown in the market place. The campaign will be funded by Private Industry, taking advantage of the concessional rates available to the Government. Next Steps:

- * Initial draft in English to Government Team - already done December 18
- * Revised proposal in urdu by December 28
- * Final advertisement ready for press release by January 15

5. Training of Counterfeit Spotters:

The intent is that the Executive Magistrates of the Districts of Punjab will be empowered to visit the trade to find counterfeits. They will visit outlets on a random basis or act on leads provided by various people including Company representatives or Distributors who find counterfeits while in the market. These Executive Magistrates need to be briefed on how to distinguish counterfeit products from the genuine product. We agreed that on January 20 representatives from Companies involved will visit the 8 Divisional Headquarters to brief the District Magistrates, and others. Next Steps:

- * Companies to advise the Task Force of the names of their 8 "Trainers" by December 28. Based on our "lead product categories", the companies involved should be:

MOTOR OIL	SHELL, CALTEX **
CARBONATED BEVERAGES	PEPSI, COKE**
SHAMPOOS-SOAPS-DETERGENTS-EDIBLE OILS-TEA	LEVER, P&G
CIGARETTES	PTC, LAKSON**

**Need their confirmation

- * Companies to prepare identification methods for their products to be used by the Executive Magistrates in the market place. TO be ready for the January 20 briefings.
- * Government Task Force to advise venue of training in each of the Divisional Headquarters.

6. The Initial Crackdown:

We agreed February 1 as the target date. Intent is to strike at Manufacturers and Salesmen and Shops as of the first day. This will have the largest impact, and will demonstrate that the Government is targeting whosoever is involved in the making or selling of spurious products. Next Steps:

- * Companies to provide best information of names and addresses of known counterfeit manufacturers in Punjab. We did not specify a target date for this, but suggest we aim for early January for the initial list.
- * As much as possible companies to identify and provide leads for outlets or bazaars known to have counterfeit products in the previous week - again no date specified in our meeting but suggest we aim for 3rd week January for this list.

7. The On-Going Crackdown:

In addition to working on leads provided by Private Industry or others, the Teams need to agree on a modus operandi for targeting shops. An initial draft proposal is attached for consideration by the Task Force. Next Steps:

- * Task Force Team to consider / refine the attached, and discuss with Private Industry at next meeting.
- * The Private Industry's proposals for amending laws will be based on the attached draft.

8. We agreed the next Task Force and Chambers meeting is scheduled for January 6 at 1300 in Lahore.

Finally, we very much appreciate the importance and speed that the Punjab Government is assigning to this project. We look forward to a continued to a continued excellent working relationship, and positive results !

Yours sincerely,

**ZAHID ZAHEER
SECRETARY GENERAL**

DRAFT**PROCESS FOR APPREHENDING / PROSECUTING SHOPS SELLING COUNTERFEITS**

1. Government appoints 1 - 2 Executive Magistrates per District (possibly 2 - 3 for larger urban centers) per set of categories.
 - * E.g. one group for shampoos - detergents - soaps - cigarettes, another for motor oil - carbonated beverages - cooking oil - teas
 - * Need amend law to make counterfeiting an issue for Executive Magistrates, not Judicial Magistrates
2. District Executive Magistrates, now trained to spot counterfeits, visit shops, accompanied by policemen.
 - * On Day 1 visit areas identified by Companies as recently having counterfeits
 - * Afterwards on random visits, with tips by Company sales representatives or Distributors whenever possible.
3. District Executive Magistrates purchase samples of suspect product, take down name and I. D. of shop owner.
4. Products TCSed to central laboratory the same day.
5. Laboratory results faxed back to Executive Magistrate. If counterfeit product confirmed, Executive Magistrate returns to the shop with a policeman
 - * Need amend law to make counterfeits a cognizable offense
 - A. If shop still open and shop owner still in shop, Executive Magistrate arrests shop owner. Shop owner remanded to police custody, without bail.
 - * Need amend law to make counterfeiting a non-bailable offense. If not possible, minimum bail Rs. 1 Million.
 - B. If shop still open but shop owner not there, Executive Magistrate closes and seals shop. Warrant put out for arrest of shop owner. Shop not allowed to open again until owner surrenders to police.
 - * Need amend law to allow shop closure by Executive Magistrate and police ?
 - C. If shop closed, Executive Magistrate seals shop and warrant put out for arresting owner.
 - * Need amend law to allow shop sealing by Executive Magistrate and police ?
6. Trial is held by Executive Magistrate. Guilty verdict requires mandatory 6 - 12 month imprisonment.
 - * Need amend law to not allow fine instead of imprisonment. A monetary fine is insufficient deterrence, given the large amount of profits in counterfeiting.
7. If guilty party wants to appeal, the appeal must be completed within 15 days and no bail allowed during this period.
 - * Need amend law to ensure expeditious appeal, no bail so that party found guilty disappears.

FAX NO. 042 9200130

19th December, 1998.

Mian Mohammad Shabaz Sharif,
Chief Minister of Punjab,
Chief Minister's Secretariat,
7 Club Road, GOR - 1,
LAHORE.

Dear Chief Minister,

ELIMINATING COUNTERFEITS

Your Government appointed Task Force led by Chairman, Mr. Tariq Ayub is clearly dedicated and working hard on this project, together with the American Business Council and Overseas Investors Chamber of Commerce & Industry. Several of us in private industry working with your Government's Task Force are very impressed with the ingenuity and speed with which the Government Task Force have tackled this issue to date.

Much work has been done but there remains a lot of ground to be covered. For example identifying which laws need to be changed to close currently existing loopholes, determining what should be the right process for catching both manufacturers and sellers of counterfeit products, choosing a laboratory that will analyze the alleged counterfeit products and ensuring that this laboratory has the correct analytical equipment and that technicians are trained, developing a press campaign, etc.

In view of this, and given that this Task Force is covering more than one product (and rightfully so), all of us believe that for the program to be comprehensive and effective as of the outset, the implementation in the market place should start on February 1, 1999. This will be based on firm recommendations to be made to you by mid January.

Thank you again for your overt support to this program. Its success will be in the best interests of the Pakistan consumer, industry, and the Government.

Sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

PHILIPPE BOVAY
VICE PRESIDENT
AMERICAN BUSINESS COUNCIL

23rd December 1998

Mr. Humayun Akhtar Khan
Minister of State & Chairman
Board of Investment
Government of Pakistan
G-5/1, Ataturk Avenue
Islamabad

Dear Minister

REGISTRATION OF COMPANIES HAVING FOREIGN INVESTMENT AS CONTRACTORS & OPERATORS WITH PAKISTAN ENGINEERING COUNCIL

Siemens Pakistan Engineering Company, a member of this Chamber are being classified as "Foreign Firms" by the Enrollment Committee of Pakistan Engineering Council on the basis of their ownership. A copy of Pakistan Engineering Council's letter No.PEC/Const/07/98 dated 5th November 1998, issued in this respect is attached. Chamber's letter dated 27th October to the Pakistan Engineering Council is also attached.

The company is permanently established in Pakistan since 1953 as a Public Limited Company. Shares of the Company are floated in Karachi Stock Exchange like any other Pak Limited company and their shares are freely transferable. The company is also registered with Income Tax authorities as Resident Limited Company.

They being a company incorporated in Pakistan, are not seeking registration on 'project' to 'project' basis. Being themselves local contractor they do not have any agreement with any local contractor.

Treating them as "Foreign Contractor" whose objectives are only to carry out job on 'contract' to 'contract' basis is improper. Siemens have large investment in Pakistan in multifarious commercial and industrial activities and should not be treated as a contractor confining their activities to 'project' to 'project' basis only.

We would therefore be grateful if you may exercise your good offices and bring to the notice of the concerned authorities at Pakistan Engineering Council, Islamabad to review their aforesaid decision.

Thanking you

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

October 12, 1998

Controller of Insurance
Department of Insurance
State Life Building
Islamabad

Dear Sir,

REMITTANCE OF SURPLUS FUNDS BY FOREIGN INSURANCE COMPANIES

Branches of Foreign Insurance Companies operating in Pakistan have advised the chairperson that applications submitted by them to Department of Insurance for permission to remit their surplus funds invariably takes two to three years to be granted. For the disposal of such applications, the Department follow its decade old practice according to which the applicant companies are required in the first instance to obtain final assessment orders from the tax authorities.

Since Section 64 of the Income Tax Ordinance allows final assessment orders to be passed within two years from the end of the assessment year in which the total income was first assessable, tax authorities follow that limitation for making a final assessment order to be branches of assesses. Hence, the applications of Foreign Insurance Companies for remittance remain held up till the limitation period is over. On the other hand, in the case of Foreign Banks, the State Bank grants its approval for remittance of Surplus Funds on the strength of audited financial statement and their application are not delayed for want of assessment orders from the Income Tax Department.

This Chamber therefore would suggest that Department of Insurance issue approval on the basis of audited financial statement and any determined short fall arising to of actual liability and the provision made should be adjusted against the future remittance application.

We look forward to your favorable response.

Yours faithfully,

ZAHID ZAHEER
SECRETARY GENERAL

October 12, 1998

Collector of Customs
Custom House
Karachi

Dear Sir,

Sub : Fire and Allied Perils Insurance Policies

Years ago, the customs authorities stopped accepting insurance & guarantees issued by insurance companies operating in Pakistan including foreign insurance companies. They declined to admit fire and allied perils policies issue by them to cover goods kept in customs bonded warehouses. It is now learnt that such policies issued by certain local companies are being accepted by the customs officials. Member companies of this Chamber who needs fire and allied policies have, perforce, to seek covers from those companies since policies issued by foreign companies are not accepted by collector of customs. This Chamber earnestly requests that black-listing orders issued against foreign companies, may kindly be withdrawn and fire and applied perils policies issued by them may be also entertained and accepted.

Yours faithfully,

ZAHID ZAHEER
SECRETARY GENERAL

Chairman CBR

16th October 1998

Collector of Customs (Appraisement)
Custom House
Karachi

Dear Sir

INSURANCE POLICIES FOR CUSTOMS BOUNDED WAREHOUSES

As you are aware, since the past few years, the Customs Authority has declined to accept policies and guarantees issued by both local and foreign Insurance Companies in Pakistan.

This restriction, in addition to guarantees, is applicable to Insurance policies covering loss of Customs levies such as Custom duties, Iqra charges, etc. due to loss of goods, stored in Custom bounded warehouses, as a result of Fire and Allied perils.

Our member companies have informed us that the above insurance coverage, issued by a few local companies, is now being accepted by you and our members are compelled to obtain coverage from these local companies, as the restriction on foreign Insurers has not been revoked.

This Chamber earnestly requests you to revoke the earlier orders and reinstate enlistment of foreign Insurers, since the present situation is discriminatory towards our members.

Attached is a copy of a letter from your office, addressed to a few local companies, inviting them to discuss insurance policies for Custom Bonded Warehouse. We also wish to take up this matter on behalf of our members, and would request you to give us some time to discuss the issue.

Thanking you

Yours truly

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

16th October, 1998.

Mr. Mohammad Iqbal Farid,
Secretary,
Ministry of Commerce,
Secretariat Block "A",
Government of Pakistan,
ISLAMABAD.

Dear Sir,

REFORM OF THE INSURANCE INDUSTRY

This Chamber has, from time to time, been drawing the attention of the Ministry of Commerce to and emphasizing upon it, the importance of introducing necessary amendments to the Insurance Act, 1938. As you are aware, a number of changes and developments have taken place in the field of insurance during the last sixty years since it was promulgated. This Chamber has also time and again requested the Ministry to make available to it the report of the National Insurance Reformed Commission and also to publish it. It has now been learnt that the Ministry has engaged Messrs. Earnest & Young, the ADB Consultants on Insurance, to advise the Government of Pakistan on the subject.

This Chamber will be grateful if the Consultants are requested to have a meeting at this Chamber so that they may be apprised of the problems experienced by the Insurance Industry, and highlight the issues that are retarding the pace of its development and expansion.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

c.c. : Mr. James Smith,
Principal,
Earnest & Young
C/o Ford, Rhodes, Robson, Morrow,
Finlay House,
I. I. Chundrigar Road,
Karachi.

c.c. to Member Chamber Standing Insurance Subcommittee

CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR THE YEAR 98-99

REPRESENTATION

- | | | | |
|-----|--|-------------|---|
| 1. | Managing Committee of the Federation of Pakistan Chambers of Commerce & Industry | (Alternate) | President
Vice President |
| 2. | Board of Trustees - Karachi Port Trust | | Mr. M. Moonis |
| 3. | Board of Directors - Port Qasim Authority | | Vice President |
| 4. | Board of Governors-Foreign Trade Institute of Pakistan, Islamabad | | President |
| 5. | Board of Governors Pakistan Institute of Management, Karachi | | President |
| 6. | National Engineering Manufacturers Export Council | (Alternate) | Mr. Martin Sulger
Member Managing Committee
Chairman of Standing Sub-Committee on Commercial & Industrial Matters |
| 7. | Sindh Industries Facilities Board | (Alternate) | Mr. Tariq Armin
Mr. Martin Sulger |
| 8. | Sindh Social Securities Board | | Chairman of the Standing Sub-Committee on Labour-
Mr. Kamran Y. Mirza |
| 9. | Advisory Council for the Ministry of Finance | | President |
| 10. | Advisory Council for the Ministry of Commerce | | 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 | | Co-Chairman of the Standing Sub-Committee on Ports, Shipping & Communications- |
| 13. Karachi Dock Labour Board | | Chairman of the Standing Sub-Committee on Ports, Shipping & Communications-
Mr. M. Moonis |
| 14. Merchant Navy Club | | Chairman Standing Sub-Committee for Ports, Shipping & Communications-
Mr. M. Moonis |
| 15. Managing Committee of the Employers Federation of Pakistan | (Alternate) | Chairman of the Standing Sub-Committee on Labour-
Mr. Kamran Y. Mirza
Co-Chairman of Labour Sub-Committee |
| 16. The Institute of Chartered Secretaries and Administrators UK (Pakistan Chapter) | | Mr. Tariq Amin - Member
Managing Committee |
| 17. Member of Governing Body - Workers Welfare Fund | | Chairman of the Standing Sub-Committee on Labour-
Mr. Kamran Y. Mirza |
| 18. Advisory Committee on Customs & Sales Tax | (Alternate) | Chairman of the Standing Sub-Committee on Taxation
Mr. Fuad Hashimi
Co-Chairman of the Standing Sub-Committee on Commercial & Industrial Matters |
| 19. Consultative Committee on Industrial Research | (Alternate) | Chairman of the Standing Sub-Committee on Commercial & Industrial Matters
Co-Chairman of the above Sub-Committee |
| 20. Export Processing Zone Authority | | Chairman of the Standing Sub-Committee on Commercial & Industrial Matters |

- | | | |
|--|-------------|---|
| 21. Executive Committee of Bankers
State Bank of Pakistan | (Alternate) | Chairman of the Standing Sub-Committee on Banking & Finance-
Mr. Zahid Rahim
Co-Chairmen of the above Sub-Committee |
| 22. Valuation Advisory Committee (ITP) of Collector of Customs Valuation | | President to discuss with
Mr. T. V. Higgins |
| 23. Government of Sindh
Labour Advisory Board | | Chairman of the Standing Sub-Committee on Labour-
Mr. Kamran Y. Mirza |
| 24. National Credit Consultative Council (NCCC) | | Chairman Standing Sub-Committee on Banking & Finance-
Mr. Zahid Rahim |
| 25. Pakistan Environmental Protection Council (PEPC) | | Chairman Standing Sub-Committee on Environment-
Mr. Zaffar A. Khan |
| 26. Technical Experts Committee of the Ministry of Environment | | Co-Chairman Standing Sub-Committee on Environment-
Mr. John B. Hallam |
| 27. Committee of Investment (Sindh) | | Chairman of Standing Sub-Committee on Commercial & Industrial Matters |
| 28. Provincial Environment Monitoring Committee on NEQS | | Chairman Standing Sub-Committee on Environment -
Mr. Zaffar A. Khan |

**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 | Mr. I. S. Sangster
President |
| - GENERAL BODY OF FPCC&I
Representing Trade | Mr. I. S. Sangster
President
Mr. Munnawar Hamid
Vice President |
| Representing Industry: | Mr. Kamran Y. Mirza
Member Managing Committee
Mr. Zaffar A. Khan
Member Managing Committee |

27th April, 1998.

Mr. Saeed Mehdi,
Principal Secretary,
Prime Minister's Secretariat,
Government of Pakistan,
ISLAMABAD.

Dear Sir,

SUGGESTIONS TO REDUCE NATIONAL HOLIDAYS

At the Prime Minister's meeting with the Multinational Companies in Karachi on 7th March, 1998, he had invited suggestions from the Private Sector for reducing the National Holidays.

We submit our suggestions as follows:

EID-UL-FITR	3 DAYS
PAKISTAN	1 DAY
EID-UL-AZHA	2 DAYS
EID-MILAD-UN-NABI	1 DAY
MUHARRAM	1 DAY
INDEPENDENCE DAY	1 DAY
CHRISTMAS / QAUID-I-AZAM'S BIRTHDAY	1 DAY

Regards.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

CIRCULAR NO. 04

12TH JANUARY, 1998.

ALL MEMBERS (HEADS OF FIRMS)

BUSINESS PERCEPTION SURVEY 1997

In the month of September, 1997 the Chamber had circulated a Questionnaire to seek information on business perception.

Based on the answers received from 86 respondents, please find below the summary report of these findings:

BUSINESS CLIMATE

1. Sixty eight percent of the respondents expressed caution at the business climate.
2. Almost fifty percent of the respondents viewed the domestic economy, political situation and government attitude towards business as being the same as it was a year ago.
3. Fifty six percent were more optimistic on the overall prospects for Pakistan than they were twelve months ago.

COMPANY PERFORMANCE

4. Fifty two percent of the respondents indicated a small increase in revenue over the previous year and only thirty four percent indicated a small increase in profits before tax, whereas thirty two percent indicated a small increase in return investment.

INVESTMENTS

5. Nearly thirty nine percent of the respondents indicated a small increase in the level of investments for the next twelve months and nearly all of them expected to finance the investment from internal cash generation.
6. Seventy five percent of the respondents stated that weak implementation of the Intellectual Property Rights (IPR's) had no impact on their investment plans in Pakistan. Out of those who did, fourteen percent thought that trade marks laws, and another fourteen percent thought patent laws had influenced investment decisions.

GOVERNMENT RELATIONSHIPS

7. Over forty percent of the respondents described their relationships satisfactory with the following departments:

STATE BANK OF PAKISTAN
CORPORATE LAW AUTHORITY
LABOUR
CENTRAL BOARD OF REVENUE
INCOME TAX
CUSTOMS
SALES TAX

8. Less than twenty percent described their relationship unsatisfactory with Director General, Ministry of Health, Sales Tax Department and Excise.

FACTORS INFLUENCING COMPANY'S PERFORMANCE

9. Nearly fifty percent of the respondents stated that industrial unrest, lack of skilled labour, lack of reliable suppliers and lack of finance had no impact on their company's performance, when compared to previous years.

10. 99% respondents attributed policy uncertainty
91% deteriorating exchange rate
89% bureaucratic procedures
74% excessive labour regulations
71% high interest rate
66% high rate of Sales Tax
65% smuggling
62% low labour productivity

as having had a negative impact on their company's performance, compared to the previous year.

ZAHID ZAHEER
SECRETARY GENERAL

12th May, 1998.

The Chairman,
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD

Dear Sir,

At a meeting held on 25th March, 1998 in the Chamber's premises, we had agreed to send you Budget Proposals for the period 1998 -99 relating to Taxation of the Insurance Industry.

It would be much appreciated if these could be considered and look forward to hearing from you in this regard.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachment.

BUDGET PROPOSALS - 1998 - 1999

CAPITAL GAINS TAX EXEMPTION FOR INSURANCE COMPANIES:

While the government has gracefully accepted this exemption in principle, SRO issued by the Government however is defective as it seeks to allow this exemption for insurance companies until the assessment year ending June 1998. The year closing of insurance companies is December, which means that the benefit of this exemption has already expired with the closing of year ending December, 1997 and not available for any subsequent period. In all fairness, the exemption should have been extended to the assessment year ending June 1999 similar to that enjoyed by other assesses.

PURCHASE OF SHARES BY FOREIGNERS THROUGH THE STOCK EXCHANGE:

Shares of locally formed public limited insurance companies can be bought freely from the stock market by citizens and foreigners alike. But, shares of companies formed by foreign sponsors are not similarly acquirable by foreigners because of the maximum limits imposed on the sponsors' foreign share holding. While granting permission to foreign sponsors to transact life insurance business, government did not distinguish between share holding of sponsors and other foreigners. In consequence, shares which other foreigners buy or may buy cannot be transferred in their favour after the authorized foreign share capital has been fully subscribed by sponsors. This is causing an impediment in the expansion of share market and operational problems for Central Depository Company (CDC). We request that restriction on trading in shares by foreigners be removed.

TAX RELIEF ON PURCHASE OF INSURANCE POLICIES AND PERSONAL PENSIONS:

Exemption from tax on investment in shares and purchase of insurance policies valuing upto Rs 50,000 was allowed until early 1980's. In the last quarter of the financial year 1980-81, that concession was withdrawn. Since then income from life insurance premia did not increase in line with growth of the GDP and as a result savings rate declined. In order to arrest this declining trend, we suggest that the relief which continued to be provided over a long period should not only be revived, but it should be extended to personal pensions also as Life Insurance Companies intend to introduce personal pension policies also very soon.

FOREIGN CURRENCY POLICIES:

Currently for major risks in general insurance, NIC is allowed to issue foreign currency policies whereas specific permissions are considered by SBP from private sector insurance companies. It is suggested that where the major investment is by the private sector the general insurance companies may be allowed to issue foreign currency policies without seeking prior permission from SBP. As regards, life insurance a number of off-shore insurers are selling life insurance policies to Pakistani nationals and taking away foreign exchange from the country. Since the Pakistan nationals have been allowed to open foreign currency accounts it would be better in the larger interest that all the life insurance companies operating in the country are allowed to issue life insurance policies in foreign currencies with the condition that premium is to be invested within the country.

EXEMPTION OF MINIMUM TAX OF 0.5% ON TURNOVER:

As per Section 80D inserted by the Finance Act 1991, made it mandatory that "Where no tax is otherwise payable by the company, body corporate or trust, for any reason whatsoever, income tax equal to 0.5% of the declared turnover will be paid. The experience all over the world has suggested that for a new life insurance company it takes approximately 4-5 years before it starts making profit. In the initial stages the life insurance company have to pay a very high acquisition cost as well as other costs for setting up necessary infrastructure.

Keeping this in view, it is requested that Turnover tax of 0.5% should not be applicable to life insurance companies.

CHAMBER STANDING SUB COMMITTEES FOR 1998-99**ADMINISTRATION**

MR. I. S. SANGSTER	PRESIDENT	LEVER BROTHERS
MR. MUNNAWAR HAMID	VICE-PRESIDENT	ICI
MR. S. ALI RAZA	MEMBER	BANK OF AMERICA

BANKING & FINANCE

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA ISLAMIC INVESTMENT BANK
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. K.A.S PERÉRA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. AHMED HUSSAIN KHAN		DOHA BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. MOHAMMAD ABDULLAH		IFIC
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. ASHRAF N. IRSHADUDDIN		OMAN INTERNATIONAL
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH		SOCIÉTÉ GÉNÉRALE
MR. IMDAD ALI SHAIKH		TRUST BANK

COMMERCIAL & INDUSTRIAL MATTERS

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. AZHAR A. MALIK		ICI
DR. ARUNA BANDARANAYAKE		LEVER BROTHERS
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. NAEEM SHAIKH		RHONE POULENC RORER
MR. TERTIUS VERMEULEN		SIEMENS

CORPORATE LAW

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. MIAN RAZA AHMED		ABBOTT
MR. MOHAMMAD ASLAM		BOC
MR. K. BAKHTIAR AHMED		CYANAMID
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MR. S. K. HUSSAIN		HUB POWER
MS. NAUSHEEN AHMED		ICI
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. AAMER AZIZ SAIYID		LEVER BROTHERS
MR. ASLAM SADRUDDIN		PAKISTAN CABLES
MR. MOHAMMAD ASDAF		PHILIPS
MS. FAUZIA KAZMI		SHELL

ENVIRONMENT

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICALS
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
MR. SHAH M. SAAD HUSSAIN		BHP MINERALS
CAPT. (RETD) N. A. FAROOQUI		CALTEX OIL
DR. M. A. KHOWAJA		CLARIANT
MR. JAVED AKBAR		ENGRO CHEMICAL
DR. SAIFUL-MALOOK		GLAXO WELLCOME
MR. PERWAIZ H. KHAN		LEVER BROTHERS
MR. NASIM UL HAQUE		MERCK SHARP & DOHME
MR. FAROOQ RAHMATULLAH		SHELL

INSURANCE

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELLCOME
MR. FERAZ RIZVI		ICI
MS. KHURSHEED KOTWAL		LEVER BROTHERS
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
DR. MUMTAZ A. HASHMI		ROYAL & SUN ALLIANCE
MR. HASNAIN MOOCHALA		SHELL

LABOUR

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. ISHAQUE H. HASHMI		ABBOTT
PROF. M. MATIN KHAN		BARRETT HODGSON
MR. H. A. ATHAR		CALTEX OIL
MR. SALIM AZHAR		ENGRO CHEMICAL
MR. SHAHID QURESHI		GLAXO WELLCOME
MR. KHALID B. OSMANY		ICI
MR. ZAFAR MANNAN		INDUS MOTOR
MR. HAROON WAHEED		LEVER BROTHERS
MR. DINYAR DUBASH		MASHREQBANK PSC
MR. JALEES A. SIDDIQI		PHILIPS
MR. RASHID AHMED		SHELL

PORTS, SHIPPING & COMMUNICATIONS

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. FAROOQ RAHMATULLAH	CO-CHAIRMAN	SHELL
MR. NADEEM JAFAREY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICAL
MR. G. H. CHOUDHRY		LEVER BROTHERS
MR. S. H. A. BUKHARI		P&O
MR. FAROOQ HASAN		PAKTEL
MR. B. SAEED		SIEMENS

TAXATION

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. PARVEZ GHIAS	CO-CHAIRMAN	ENGRO CHEMICAL
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. S. K. MEHDI		CLARIANT
MR. S. KAZIM HASAN		COMMERCIAL UNION
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SAEED HAIDER		J & P COATS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. SHAMIM H. KHAN		LEVER BROTHERS
MR. MUNAF H. LAKDA		PHILIPS
MR. SAAD A. KHAN		PROCTER & GAMBLE
MS. FARAH QURESHI		RHONE POULENC
MS. TRUDY TAYLOR		SHELL
MR. RAHIM DAWOOD		SIEMENS

BUILDING PROJECT

MR. I. S. SANGSTER	PRESIDENT	LEVER BROTHERS
MR. MUNNAWAR HAMID	VICE-PRESIDENT	ICI
MR. MOIN M. FUDDA	MEMBER	COMMERCIAL UNION
MR. M. SULGER	MEMBER	SIEMENS
		THE ARCHITECT
		ADNAN, ASDAR
MR. PARVEZ GHIAS	CO-CHAIRMAN	ENGRO CHEMICAL

27th February, 1997

**MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR
BANKING & FINANCE HELD ON 12TH FEBRUARY, 1998 IN THE CHAMBER PREMISES**

PRESENT:

MR. M. YOUNAS KHAN	CHAIRMAN	DEUTSCHE BANK
MR. ZAKIR MAHMOOD	CO-CHAIRMAN	BANQUE INDOSUEZ
MR. ATIF BAJWA		ABN AMRO BANK
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA
(REP BY MR. NAUMAN DAR)		
MR. K. A. S. PERERA		BANK OF CEYLON
(REP BY MR. M. J. KHAN SADIQ)		
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MUNEEB KAMAL		FAISAL BANK
(REP. BY MR. SAQIB MUKHTAR)		
MR. M. HAROON AHMED		HABIB BANK A.G.
(REP. BY MR. SHEIKH EHSANUDDIN)		
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI
MR. JULIAN S. P. SINGHA		OMAN INTERNATIONAL
(REP BY MR. PARVAIZ AHMAD)		
MR. SANDY GILLIO		SOCIETE GENERALE
MR. ZAHID RAHIM		STANDARD CHARTERED

LEAVE OF ABSENCE:

MR. KENICHI NAKAGAWA	BANK OF TOKYO
MR. NADEEM HUSAIN	CITIBANK
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. SHAFAT A. SIDDIKY	IFIC
MR. MIRZA SALEEM BAIG	MASHREQ BANK
MR. MD. SELIM KHAN	RUPALI BANK
MR. HUMAYUN ZIA	TRUST BANK LIMITED

Minutes of the last meeting of the Standing Sub Committee held on 4th November 1997, already circulated to members were considered, read and approved.

The Chairman raised following points for discussion:

A. COMMODITY FINANCING:

Appraising the members on the subject, the Chairman informed that the draft of Mr. Liaqat Merchant has not been approved as yet and that the matter is shuttling back and forth between State Bank of Pakistan and the Ministry of Finance. Since text of the proposed guarantee has been duly agreed upon, member banks may, if they so like, utilize the agreed guarantee and cover their risk accordingly.

B. TAXATION ISSUE:

A summary of the Taxation issues related to the Banking Companies was circulated by the Chairman (copy attached). Also attached is a copy of Circular No. 1 of 1998 (Income Tax) C. No. 53(I)/ITP/98 dated February 10, 1998 on the Payment of Advance Tax by Banks. The Chairman tabled these issues for comments:

- 1) Withholding tax u/s 50 (2) out of interest on Government Securities.
- 2) Payment of Advance Tax under section 53.
- 3) Allowability of Bad Debts.
- 4) Admissibility of Head Office expenditure in the case of foreign banks.
- 5) Interest Suspense
- 6) General

Some members proposed that the issue of refund of taxes should also be taken up. After due deliberation it was decided that only four banks should be focussed as it will be more effective.

C. DEPOSIT INSURANCE SCHEME:

The Co-Chairman informed that the consent of the State Bank of Pakistan in this respect is still awaited.

Meanwhile another Task Force representing ANZ GRINDLAYS BANK/ABN AMRO BANK & DEUTSCHE BANK should be formed to highlight the pertinent details which should be considered for the action of the Committee. With a view to assist the members of the aforesaid Task Force, ANZ Grindlays Bank, Emirates Bank and Standard Chartered Bank may please meanwhile procure related rules being followed in Australia, India and United Kingdom, respectively.

The Task Force shall have the following parameter:

- The scheme should primarily be 'risk based'.
- Utility of the Deposit and its primary purpose should be defined clearly.
- Primary elements should be according to the risk.
- Head offices of the foreign banks should not be involved. Branches in the country whereas should cover the risk independently on their own.

It was also suggested that a group of representative members should also meet Mr. Nabi Quraishi, asking him to finalize the issue earliest possible, information should be called within two weeks hereof.

D. ENHANCEMENT IN THE RATES OF STAMP DUTY:

Mr. Kevin Flannery expressed his concern on arbitrary raise of Stamp Duty from existing 1 ½% to 5%.

Mr. Flannery was informed that American Express Bank and Bank of America had recently obtained independent opinion of legal advisors. Both of them were of diversified nature. In order to acquire a common opinion it was decided that following members should consult their legal advisors to formulate a consensus and to intimate other banks for their information:

- ANZ GRINDLAYS BANK
- AMERICAN EXPRESS BANK
- BANK OF AMERICA
- EMIRATES BANK

E. MINIMUM CAPITAL REQUIREMENT:

Mr. Kevin Flannery advised that according to the State Bank of Pakistan's rules every foreign bank must maintain in capital which provided coverage \$0.02 million per branch.

- F. The Chairman Mr. M. Younus Khan extended the invitation to all members of the Committee for dinner at Boat Club on 12th of February to meet Mr. Andy McNab, Manager and Mr. Gareth Rees, Analyst of Bank of England, alongwith few Senior Directors of State Bank of Pakistan.

The meeting thereafter ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

ENCLS:

TAXATION ISSUES RELATING TO BANKING COMPANIES**1. Withholding tax under section 50 (2) out of interest on Government securities**

Interest on Government securities received by a resident bank suffers withholding tax @ 30%. Whereas, a non resident bank suffers such withholding tax at the applicable corporate tax rates i.e. 55% for the current year.

Due to this discrimination the local banks have an edge as far as the liquidity position concerned over the non resident banks. There is a need to rationalize the situation by bringing the withholding tax rates for non resident banks at par with the resident banks.

2. Payment on advance tax under section 53

Corporate sector assessee as were liable to pay advance tax in four installments equal to the amount of last assessed tax liability.

However, the Finance Act, 1997 substituted the provisions of section 53 whereby the companies have been made liable to advance tax on the basis of current year's turnover in the ratio in which the last assessed tax bears to last assessed turnover. Further, for the purpose of determining the ratio interest and tax deducted therefrom have to be disregarded.

Furthermore, the right of the assessee to pay advance tax on the basis of estimated income has been withdrawn.

The above amendments, have created a lot of hardship for companies and particularly for the banking companies. The major deductions of the banks are made from interest on securities which under the law, as it stands today, are to be disregarded while computing the amount of advance tax payable. Further, the withdrawal of right of estimate has again caused a serious problem for the banks.

It is therefore suggested that, at least in the case of banks, the old provisions for payments of advance tax, with the right of filing of estimate, may be restored.

3. Allowability of bad debts

The provisions of sections 23 (l) (x) provided for allowability of bad debts as may be determined by the DCIT to be irrecoverable, This section gives unlimited powers to the assessing officer to determine the allowable bad debts.

Whereas, on the other hand the banks, under prudential regulations, are required to make provisions for bad debts on specified criteria basis. The assessing authorities do not allow due provisions / write offs made under the prudential regulations. Even in some cases provisions certified by the State Bank of Pakistan have been disallowed for one reason or the other.

The provisions for allowability of bad debts under the Income Tax Ordinance, 1979 and the prudential regulations are contradictory to each other. Under prudential regulations the banks are compelled to make provisions which are not allowed by the tax authorities. As such the banks suffer in two ways.

In case of nationalized / government owned banks bad debts certified by State Bank of Pakistan are allowed without any further scrutiny. After lot of follow up and efforts in 1993 similar facility was extended to foreign and other banks which was then immediately withdrawn. The wide powers given to the assessing officers are being misused by them in the favor of revenue.

Therefore, there is a need to co-incide the provisions of the Income Tax Ordinance, 1979 with the provisions of prudential regulations as the later are issued and monitored by a body / authority professionally competent of the job. Further, the discrimination between nationalized banks and other banks should also be removed.

4. Admissibility of Head Office expenditure in the case of foreign banks

Section 24 (e) read with rule 20 of the Income Tax Rules, 1982 allow head office expenditure in the ratio of Pakistan turnover to world turnover. However, a number of Double taxation Agreements provide for allowability of head office and other expenditure which are allocated on some reasonable basis and which are incurred for the business of Pakistan branches.

The tax authorities are interpreting the treaty provisions with the very narrow minded approach. For this reason almost every bank is under litigation since number of years. It is suggested that in order to save waste of time and energies, broad guideline may be issued to direct tax authorities for the purpose of interpretation of treaty provisions.

5. Interest suspense

The prudential regulations require a banking company to stop crediting of mark up to income account on specified criteria basis. The interest / mark up in such situation is suspended by the banks.

Until very recently the tax authorities have been accepting this treatment, but now the tax authorities have started treating interest suspended / reserved as taxable income. The treatment given by the tax authorities is contradictory to the prudential regulations and the general banking practices.

For this purpose the other countries have specified special tax regulations which generally coincide with the local banking rules and regulations.

It is therefore suggested that a directive / guideline may be issued directing the tax authorities to follow the spirit of prudential regulations.

6. General

Like other assesseees the banks also face serious difficulties with regard to arbitrary assessments, creation of illegal demands and non-issuance of refunds.

Therefore, there is a dire need of administrative discipline.

15th June 1998

**MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR
BANKING & FINANCE HELD ON 29th & 30th May, 1998 IN THE CHAMBER'S PREMISES**

PRESENT:

MR. M. YOUNAS KHAN	CHAIRMAN	DEUTSCHE BANK	(29 th & 30 th May)
MR. ZAKIR MAHMOOD	CO-CHAIRMAN	BANQUE INDOSUEZ	(29 th & 30 th May)
MR. NABEEL MALIK		ABN AMRO BANK	(29 th & 30 th May)
MR. AHMED SHUJA KIDWAI		ALBARAKA	(29 th May)
MR. TAWFIQ A. HUSAIN		AMERICAN EXPRESS	(29 th May)
MR. AZHAR HAMID/MR. AZIZ MAJID		ANZ GRINDLAYS	(29 th May)
MR. S. ALI RAZA/MR. NAUMAN DAR		BANK OF AMERICA	(29 th May)
MR. K. A. S. PERERA		BANK OF CEYLON	(29 th & 30 th May)
MR. MASANORI OKUDA		BANK OF TOKYO -	
		MITSUBISHI	(29 th & 30 th May)
MR. S. NAQVI		CITIBANK	(29 th & 30 th May)
MR. KEVIN FLANNERY		EMIRATES BANK	(29 th & 30 th May)
MR. MUNEER KAMAL		FAISAL BANK	(29 th May)
MR. NICHOLAS CHERRILL		HONGKONG & SHANGHAI	(29 th & 30 th May)
MR. M. HAROON AHMED		HABIB BANK A.G.	(29 th May)
MR. MOHAMMAD ABDULLAH		I F I C	(29 th & 30 th May)
MR. AZMAT ASHRAF		MASHREQ BANK	(29 th May)
MR. SHAHZAD MURAJ		OMAN INTERNATIONAL	(29 th & 30 th May)
MR. MD. SELIM KHAN		RUPALI BANK	(29 th May)
MR. P. H. RUSCH		SOCIETE GENERALE	(29 th & 30 th May)
MR. AHMED REHMAN		STANDARD CHARTERED	(29 th & 30 th May)

LEAVE OF ABSENCE:

MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. HUMAYUN ZIA	TRUST BANK LIMITED

1. PROCEEDINGS OF 29TH MAY

State Bank of Pakistan called a meeting of representative body of foreign banks in the afternoon of 29th May 1998 at SBP Headquarter to discuss and appraise new policies of the Central Bank.

Member therefore gathered together to formulate their views and opinion before the representative body meets the State Bank authorities.

The Co-Chairman Mr. Zakir Mahmood gave a brief review of the present financial and economic standing of the country.

Members unanimously agreed to extend all out cooperation to the Government in its efforts to surmount the financial and economic set backs arising due to the possible sanctions Pakistan has to undergo.

It was also agreed that a smaller group of bankers should attend the meeting in the afternoon and appraise rest of the members about its outcome on next day i.e. Saturday, the 30th of May at 9:00 A.M. in the Chamber' premises.

2. PROCEEDINGS OF 30TH MAY

The Chairman explained to the members about the outcome of the meeting the team had with the State Bank officials. Meanwhile State Bank's latest Foreign Exchange Circular outlining the related policy of the Government was made available to all banks. Consequently no further discussion warranted.

With no other points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

13th August, 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON TUESDAY 23RD JULY 1998
AT 12:30 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM - REP BY: MR. IMRAN AHAD	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. NUSRAT VOHRA		
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
MR. SHAHZAD NAQVI - REP BY MR. J. KUREISHI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. KHAWAJA ZAFARULLAH - REP BY MR. ABDUL RASHEED		DOHA BANK
MR. KEVIN FLANNERY - REP BY MR. FEROZ ANSARI		EMIRATES BANK
MR. MUNEEB KAMAL		FAYSAL BANK
MR. M. HAROON AHMED - REP BY MR. MOHAMEDALI HABIB		HABIB BANK AG
MR. MOHAMMAD ABDULLAH		I F I C
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. JULIAN S. P. SINGHA		OMAN INTERNATIONAL
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH - REP BY MR. SHAHID FAKHRUDDIN		SOCIETE GENERALE
MR. IMDAD ALI SHAIKH		TRUST BANK

LEAVE OF ABSENCE

MR. MOHAMMAD AURANGZEB	ABN AMRO
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In the absence of the Chairman, Mr. Zahid Rahim, the Co-Chairman, Mr. Tawfiq A. Husain chaired the meeting.

The Co-Chairman drew the attention to State Bank of Pakistan's Foreign Exchange Circular Nos. 38 to 43 issued on 21st July, 1998 and outlined the necessity of discussing the ambiguities in the Circulars and their corresponding effects on the business of the Banking Industry in general, and on Foreign Banks in particular.

Circular No. 42 on Foreign Currency Accounts / U.S. \$ FCA Bonds was taken up for discussion first.

After brief exchange of views, the general consensus of the Members was to seek clarifications directly from the Governor, State Bank of Pakistan. The following issues need to be raised:

- 1- Banks should issue Bonds but country risk to be borne by State Bank of Pakistan, alternatively Banks not to surrender the liquidity and if so Banks to be compensated.
- 2- Banks are facing narrowing of spreads with T-Bill rates going down and cost of funds to Banks going up.
- 3- Clarification of wording in Circulars on FCA Bonds, regarding "official exchange rate", "State Bank of Pakistan's buying rate" and prevailing rate.

A representative group consisting of following members should seek for an appointment first with the Governor, State Bank of Pakistan to discuss the issues:

TEAM REPRESENTING OICC&I

- | | | |
|----|-----------------------|-------------------------|
| 1. | Mr. Tawfiq A. Husain | Co-Chairman |
| 2. | Mr. Nicholas Cherrill | Co-Chairman |
| 3. | Representative from | Citibank N. A. |
| 4. | Representative from | Bank of America NT & Sa |
| 5. | Representative from | ANZ Grindlays |

Members views on rest of the Circulars

Two tier rates

All Members present in the meeting agreed that Members of the Committee should highlight all queries related to the aforesaid FE Circulars of State Bank of Pakistan. The queries thus highlighted should be forwarded to the Chairman of the Standing Sub Committee on Banking & Finance, Mr. Zahid Rahim by Saturday 25th July, 1998. Members are therefore requested to please comply with the same.

The meeting ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

13th August, 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON TUESDAY 11TH AUGUST 1998
AT 3:30 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. K.A.S PERERA		BANK OF CEYLON
MR. SHAHZAD NAQVI		CITIBANK N. A.
- REP BY MR. J. KUREISHI		
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. KEVIN FLANNERY		EMIRATES BANK
MR. I. A. HANFI		FAYSAL BANK
- REP BY MR. A. WATHRA		
MR. M. HAROON AHMED		HABIB BANK AG
MR. MOHAMMAD ABDULLAH		IFIC
MR. AZMAT ASHRAF		MASHREQ BANK PSC
- REP BY MR. N. AKBAR		
MR. JULIAN S. P. SINGHA		OMAN INTERNATIONAL
- REP BY MR. Q. MASOOD		
MR. P. H. RUSCH		SOCIETE GENERALE

LEAVE OF ABSENCE

MR. MOHAMMAD AURANGZEB	ABN AMRO
MR. MASANORI OKUDA	BANK OF TOKYO-MITSUBISHI
MR. M. YOUNAS KHAN	DEUTSCHE BANK A. G.
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. MD. SELIM KHAN	RUPALI BANK
MR. IMDAD ALI SHAIKH	TRUST BANK

1. Minutes of the last Meeting held on 23rd July, 1998 which had been previously circulated to the members, were considered and approved.
2. The Chairman invited comments from the participants as regards their concerns about the possible dis-intermediation of funds from their liability balances, to the FCA bonds scheme. SBP have issued circulars requiring Banks to release Rupee funds to State Bank of Pakistan on conversion to bonds - this could effect the Banks' liquidity in varying degrees, dependent upon the success of the Bond issue. Earlier, the SBP Governor had announced in a Bankers meeting that he was in consultation with the Ministry of Finance, to seek concessions from them for all Banks to retain the liquidity, in part or full. No decision had been made as yet by the Ministry of Finance to the Governor's proposals. Mr. Azhar Hamid (of ANZ Grindlays), who has been involved with assisting State Bank in an 'anomalies' Committee on forex circulars, and in the provision of advice on FC Bonds and other pertinent matters, felt that Government may not fully allow Banks to fully retain PKR funds of FC Bonds on conversion, as proposed. He said that he had recommended to the Committee for the retention of funds by Banks to the extent of 50% of the PKR converted balances - He had also proposed to the Ministry to consider application of interest payable by Banks @12.5% per annum in the 1st year, 13.5% in the 2nd year and 14% in the 3rd year - by which time this 'scheme' should end. The Government had pointed out to him that Banks were advertising, a higher interest rate on deposits, than he had recommended.

3. There was a unanimous concern among Banks about the loss of liquidity from their books and the escalating cost of funds in the period to follow.
4. Discussions evolved among participants on the possibility of benchmarking lending rates to either STFB rates or against SBP discount rates, as a counter measure to mitigate the squeeze in Net interest margins, between Liabilities and Assets.
5. Some Banks expressed concern about the non-repayment of their 3rd Party swap deposits under the F.E. 45 Scheme of SBP, and at the least required an acknowledgement by SBP giving reasons for non-repayment/rollover requests. The majority of participants felt that it was appropriate to write to SBP requesting for an acknowledgement for rollover and/or consideration to be given by them for part-repayment of the loan on each maturity. Dr. Rusch (of Societe Generale) was asked to draft a suitably worded letter on the subject.
6. The Chairman then highlighted the following points which require clarification from SBP; it was agreed that these would be incorporated in a letter to be sent to SBP by OICC&I (Azhar to assist in its implementation, as appropriate):-
 - a) As per F.E. Circular 38, all outstanding forwards contracts written by Banks, prior to the issuance of the circular, required to be closed-out at the interbank floating rate. This methodology was changed on 31st July '98, when forward contracts are now required to be closed-out at the composite rate. All Forward Contracts closed-out in the interim had to be adjusted (for Period 22/7 to 31/7/98). SBP needs to advise Banks the exact (and detailed) methodology on how to do this.
 - b) SBP to be asked to allow 3rd Party settlements through SBP cheques (largely to settle same day value to 3rd Party payment for exporters selling forex to a Bank other than the one that maintains the Special Account).
 - c) SBP to be asked to withdraw TT charges on Bank's inter-branch transactions.
 - d) The Finance Minister in a press conference had announced that all amounts converted into PKR from forex FCA accounts, require no withholding tax deductions; SBP circular to this effect has not yet been issued - a request be made to do this.
 - e) There are transactions where Forward exchange cover is not allowed. Some customers are willing to pay the interbank floating forward prices for the hedge - Can SBP allow such transactions?
 - f) To seek clarification from SBP whether or not various prizes/lottery schemes on Deposit account banks are not allowed, as in previous cases of application made by some Commercial Banks, SBP had disallowed it.

ANY OTHER MATTERS:

- Earlier, at the beginning of the Meeting the Chairman inquired of the Participants, the degree to which they felt that the Sub-Committee meetings ought to be focused on matters pertaining to advisory (to SBP) on issues that relate to the Banking industry.
- On an inquiry from one of the Members, the Chairman informed that a meeting will be held next week with the authorities of the Province of Sindh to discuss the issue of Sindh Stamp Duty. Members will be apprised accordingly.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

13th August, 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON MONDAY 5TH OCTOBER 1998
AT 3 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
- REP BY MR. IQBAL		
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. K.A.S PERERA		BANK OF GEYLON
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. I. A. HANFI		FAYSAL BANK
- REP BY MR. MUNEER KAMAL		
MR. M. HAROON AHMED		HABIB BANK AG
MR. JULIAN S. P. SINGHA		OMAN INTERNATIONAL
- REP BY MR. QAISAR MASOOD		
MR. P. H. RUSCH		SOCIETE GENERALE

LEAVE OF ABSENCE

MR. MASANORI OKUDA	BANK OF TOKYO-MITSUBISHI
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. KEVIN FLANNERY	EMIRATES BANK
MR. MOHAMMAD ABDULLAH	IFIC
MR. AZMAT ASHRAF	MASHREQBANK PSC
MR. MD. SELIM KHAN	RUPALI BANK
MR. IMDAD ALI SHAIKH	TRUST BANK

Minutes of the last meeting held on 11th August, 1998 were confirmed.

- Concerns about dis-intermediation likely to occur as a result of FCA Bonds being encashed were discussed, especially those arising if these were to be made Bearer Bonds. Should this happen, the liquidity of the Banks would be threatened and liquidity is the linchpin of the Banking Industry. It was agreed that a letter will be drafted by the Economist of the ABN Amro Bank for the State Bank of Pakistan raising the issue of the Bearer Bonds.

Generally all Foreign Banks have reduced rates on Foreign Currency Deposits, the Emirates Bank taking the lead in this matter.

- Some Banks were 'groaning' under the weight of surplus liquidity in the interbank markets, where overnight funds were traded to as low as 0.25 percent, over the part quarter or so and with 3 months Treasury Bills weighted averaging are being no more than 13.71 percent over the same period. The Chairman had visited the appropriate officials at the State Bank of Pakistan to determine whether or not there was a strategy to address this problem. He was informed that there was not a particular 'strategy' as

such, although the 'view' of the officials were that the liquidity was caused by the poor utilization of credit exceeded their limit by over Rs. 4 Billion. The official felt that the 3 months Treasury Bills rates would stabilize at around 14.5 percent, going forward.

3. Dr. Rusch (Societe Generale) did draft a letter on the concern about non payment of third part Swap Deposits under F. E. Circular 45 Scheme of State Bank of Pakistan. Chairman informed the meeting that it was not considered prudent to send such a letter to State Bank of Pakistan, given the circumstances of the Country's very poor exchange position, leading to 'helplessness'.

It was pointed out that Shipping and Airline Companies are encountering problems in sending remittances too, as are portfolio investors.

4. Chairman informed the meeting that he had written to the Governor, State Bank of Pakistan seeking clarification on all the issues listed under Items (a) to (f) of Paragraph 6 of the 11th August, 1998.

No response has so far been received from the State Bank of Pakistan on any of these issues, except the Withholding Tax issue on FCA Accounts which has been addressed separately by the Central Board of Revenue.

5. Chairman informed the Members about his visit to Islamabad and his meeting with visiting IMF Officials and Members of the World Bank Resident Mission. The Officials had communicated their huge concerns about the poor state of affairs of the Economy in Pakistan, in response to the Chairman's comments on specific areas.

6. Letter received from The Institute of Bankers in Pakistan dated 23rd September, 1998 seeking sponsorship support for the 5th Afro Asian Banking Course being held in Sheraton Hotel, Karachi from 22nd to 28th November, 1998 was considered.

It was agreed that the letter be circulated amongst all Foreign Banks to solicit support.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

19th November 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON WEDNESDAY 4TH NOVEMBER 1998
AT 3 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. KEVIN FLANNERY		EMIRATES BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. MOHAMMAD ABDULLAH		I F I C
MR. ASHRAF IRSHADUDDIN		OMAN INTERNATIONAL
MR. MD. SELIM KHAN		RUPALI BANK
MR. P. H. RUSCH		SOCIETE GENERALE
MR. IMDAD ALI SHAIKH		TRUST BANK
- REP BY MR. QAZI A. M. KHALID		

LEAVE OF ABSENCE

MR. K.A.S PERERA	BANK OF CEYLON
MR. M. YOUNAS KHAN	DEUTSCHE BANK A. G.
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. MR. MUNEEB KAMAL	FAYSAL BANK
MR. AZMAT ASHRAF	MASHREQBANK PSC

Minutes of the last meeting held on 5th October, 1998 were confirmed.

Chairman informed the meeting that the draft of the letter to the State Bank of Pakistan on dis-intermediations ready and will be circulated to member banks, before dispatch to State Bank of Pakistan.

A member bank raised the issue of advance tax payable by banks and the change in methodology in the last finance bill. Advance tax payable is an extra burden on banks. Also exemption certificates from withholding tax payments are not obtained easily. Chairman asked that member banks to provide details, as there appeared to arise some confusion regarding interpretation of tax applications.

Chairman informed the meeting that OICC&I will be seeking a meeting with the Prime Minister of Pakistan shortly and invited suggestions from members for inclusion in the agenda. The following issues were identified:

LOAN DEFAULTERS
FCA BONDS – EFFECT ON LIQUIDITY
COMPETITION FROM NATIONAL SAVINGS SCHEME
HIGH RATE OF TAXATION FOR BANKS

Chairman informed the meeting that he attended a meeting at State Bank of Pakistan which was presided over by Mr. Ishaque Dar. The issues discussed were delays in receiving inward remittances from exporters. F. E. Circular # 48 was withdrawn as it contained too harsh penalties.

Bank of Tokyo-Mitsubishi wished to know how the issue of SWAP Funds will be settled. Will it be done by bilateral negotiations or other methods will be followed.

Discussions took place on the matter of sponsorship of The Institute of Bankers in Pakistan for the 5th Afro Asian Course being held from 22nd to 28th November, 1998 at Sheraton Hotel, Karachi. Chairman proposed that each bank contribute Rs. 10,000 towards this event. A member bank did not agree to this suggestion.

Chairman informed the meeting that Central Board of Revenue seeks settlement of officials with financial expertise to work in CBR on a contract basis. The Chamber has already circulated this request.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

19th November 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON MONDAY 16TH NOVEMBER 1998
AT 4 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. NAUMAN DAR		
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
- REP BY MR. TOSHIKI MIYAZAKI		
- REP BY MR. M. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
- REP BY MR. AKBAR AZIZ		
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. KEVIN FLANNERY		EMIRATES BANK
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. ASHRAF IRSHADUDDIN		OMAN INTERNATIONAL
- REP BY MR. QAISAR MASOOD		
MR. P. H. RUSCH		SOCIETE GENERALE
- REP BY MR. SHAHID FAKHRUDDIN		

LEAVE OF ABSENCE

MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. KHAWAJA ZAFARULLAH		DOHA BANK
MR. MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. MOHAMMAD ABDULLAH		I F I C
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK

The meeting was called at a short notice as a follow up to the meeting called by the Governor, State Bank of Pakistan on Saturday 14th November, 1998 in which not all foreign banks could participate.

Mr. Azhar Hamid (ANZ) and Mr. Mohammad Aurangzeb (ABN AMRO) briefed the meeting about the discussions held with the Governor, State Bank of Pakistan in which the rescheduling of foreign currency deposits (brought under F.E. Circular No. 45 also described as SWAP Funds) was discussed. During this meeting the Governor made a proposal for roll over of the SWAP Funds for four quarters (one year). He also said that those banks who do not agree to the "voluntary" roll over, can go to the London Club meeting for negotiations, where the likely outcome will be rescheduling for fifteen years. The commercial credit rescheduling, the amount of which is reportedly U. S. \$ 3.0 Billion, is expected to be discussed at this meeting.

The Governor, State Bank of Pakistan also indicated that Policy Framework Paper (PFP) will be signed with the IMF on or around 20th November, 1998, but since the IMF Boards meet around 10th January, 1999, no disbursements can be expected before this date, and the first tranche is likely to be between \$ 300 to \$ 500 Million. Between now and the 10th January, 1999, the State

Bank of Pakistan is seeking bridge financing from private banks. Such bridge financing if forthcoming, will be supported by an IMF comfort letter.

After considerable discussions round the table, it was agreed that Mr. Azhar Hamid would contact the Governor, State Bank of Pakistan to obtain more details.

Chairman informed the meeting that at the request of some member banks, he had written to Mr. R. A. Chughtai, Deputy Governor, State Bank of Pakistan seeking extension of time for banks to square up their positions in order to reduce their Nostro balances to 50% and adjust their net open positions, as the 16th November deadline was felt not practical for completion, by some banks.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

19th November 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON MONDAY 18TH NOVEMBER 1998
AT 4 P.M. IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. MOHAMMAD AURANGZEB		ABN AMRO
- REP BY MR. NAVEED A. KHAN		
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
MR. M. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. KHAWAJA ZAFARULLAH		DOHA BANK
- REP BY MR. ABDUL RASHEED		
MR. KEVIN FLANNERY		EMIRATES BANK
MR. M. HAROON AHMED		HABIB BANK AG
- REP BY MR. M. R. HABIB		
MR. MOHAMMAD ABDULLAH		IFIC
MR. AZMAT ASHRAF		MASHREQ BANK PSC
MR. ASHRAF IRSHADUDDIN		OMAN INTERNATIONAL
- REP BY MR. QAISAR MASOOD		
MR. P. H. RUSCH		SOCIETE GENERALE
- REP BY MR. SHAHID FAKHRUDDIN		
LEAVE OF ABSENCE		
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. M. YUNAS KHAN		DEUTSCHE BANK A. G.
MR. MR. MUNEER KAMAL		FAYSAL BANK
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK

Meeting was called at the request of Mr. Azhar Hamid (ANZ). Mr. Hamid informed the meeting that he had again held discussions with the Governor, State Bank of Pakistan on the rescheduling of SWAP Funds on 17th November, 1998.

The meeting was informed that the Governor is seeking a written response from the foreign banks to his proposal for rescheduling SWAP Funds for one year, after which 20% of the outstanding amount may be remitted out of the country. The balance of SWAP deposit would then be rolled for a second year, after which it would become due for full payments.

After considerable discussions, it was agreed that the draft letter tabled, addressed to the Governor, State Bank of Pakistan be sent to the State Bank of Pakistan the same evening.

A copy of the letter sent to the State Bank of Pakistan on 18th November, 1998 has already been circulated to the Member Banks.

Letter dated 19th October received from State Bank of Pakistan on streamlining procedures for complaints was tabled. Member Banks were provided with a copy of this letter. It was noted that the subject matter of this letter is not pertinent as far as foreign banks are concerned.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

1st December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON SATURDAY 28TH NOVEMBER 1998
AT 12 NOON IN THE CHAMBER'S PREMISES**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
- REP BY MR. NAUMAN DAR		
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
MR. SHAHZAD NAQVI		CITIBANK N. A.
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. M. YOUNAS KHAN		DEUTSCHE BANK A. G.
MR. MUNEEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED		HABIB BANK AG
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. ASHRAF N. IRSHADUDDIN		OMAN INTERNATIONAL
- REP BY MR. QAISAR MASOOD		
MR. P. H. RUSCH		SOCIETE GENERALE

LEAVE OF ABSENCE

MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. KHAWAJA ZAFARULLAH		DOHA BANK
MR. KEVIN FLANNERY		EMIRATES BANK
MR. MOHAMMAD ABDULLAH		IFIC
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK

1. Minutes of the last Meeting of the Sub Committee held on 16th November and 18th November, 1998, already been circulated to the members, were approved.
2. The meeting was called to further discuss SBP's proposal on Swap Deposits. The Chairman briefed the members about his meeting with SBP Governor, on 26.11.98 where he had been asked to obtain a joint agreement from all foreign Banks, to the 2 year repayment proposal on swap deposits.

The Governor had confirmed that the proposal could only be entertained provided it was jointly agreed by all swap depositors (i.e. on an "all or Nothing" basis).
3. The Chairman agreed to provide copies of letters exchanged with SBP on the subject to both the Chairman of PBA and to the NBFI Association, in order to obtain their decision to the proposal. (Since done)
4. It was agreed that individual Banks will liaise appropriately with their third party swap depositors for their decision to the proposal.
5. All formal responses to the proposal are requested by the 7th December, 1998.

6. The Chairman informed the members that in a meeting held with SBP, the Governor had agreed to the proposed transaction being made subject to satisfactory documentation. Banks could therefore use this information in their approval process.
7. Mr. Azhar Hamid was to meet with SBP regarding margin on swap deposit/special deposit account pertaining to this transaction, and advise members appropriately, for their agreement.

Copies of following documents has been made available to all banks on 30th November 1998, separately to seek firm approval from their respective Head Offices or from their third party (institution) depositors, not later than Monday, 7th December 1998:

- (i) Mr. Zahid Rahim's letter dated 18th November 1998.
- (ii) Letter from Mr. Imtiaz Ahmad, Executive Director, State Bank of Pakistan No.12061/FEP.16(326)-98 dated 20th and 23rd November 1998.
- (iii) Mr. Zahid Rahim's Circular letter to all foreign Banks dated 30th November 1998.

A meeting of the Committee to be called thereafter to finalize the draft replies.

OICC&I will forward a letter along with attachments, to the Chairman Pakistan Banking Association and to the Association of NBFIs for their appropriate action to respond directly to Governor, State Bank of Pakistan.

The meeting closed with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

15TH December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
FOR BANKING & FINANCE HELD ON MONDAY 14TH DECEMBER 1998
AT 10 AM IN OICC&I.**

PRESENT

MR. ZAHID RAHIM	CHAIRMAN	STANDARD CHARTERED
MR. TAWFIQ A. HUSAIN	CO-CHAIRMAN	AMERICAN EXPRESS
-REP BY MR. JAMIL IQBAL		
MR. MOHAMMAD AURANGZEB		ABN AMRO
MR. AHMED SHUJA KIDWAI		ALBARAKA
-REP BY MR. SHAFQAAT AHMED		
MR. AZHAR HAMID		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA NT & SA
-REP BY MR. NAUMAN DAR		
MR. K.A.S PERERA		BANK OF CEYLON
MR. MASANORI OKUDA		BANK OF TOKYO-MITSUBISHI
-REP BY MR. FAROOQ		
MR. SHAHZAD NAQVI		CITIBANK N. A.
-REP BY MR. JAVED KURESHI		
MR. ZAKIR MAHMOOD		CREDIT AGRICOLE INDOSUEZ
MR. KHAWAJA ZAFARULLAH		DOHA BANK.
-REP BY MR. ABDUL RASHEED		
MR. KEVIN FLANNERY		EMIRATES BANK
-REP BY MR. DAVID WARIN		
MR. MUNEER KAMAL		FAYSAL BANK
MR. M. HAROON AHMED]		HABIB BANK AG
MR. H. M. HABIB]		
MR. MOHAMMAD ABDULLAH		I F I C
MR. AZMAT ASHRAF		MASHREQBANK PSC
MR. ASHRAF N. IRSHADUDDIN-		OMAN INTERNATIONAL
MR. P. H. RUSCH		SOCIETE GENERALE

LEAVE OF ABSENCE

MR. NICHOLAS CHERRILL	CO-CHAIRMAN	HONGKONG & SHANGHAI
MR. M. YOUNAS KHAN		DEUTSCHE BANK A.G.
MR. MD. SELIM KHAN		RUPALI BANK
MR. IMDAD ALI SHAIKH		TRUST BANK

1. Minutes of the last meeting of the Subcommittee held on 28th November 1998, already circulated to all members, was approved.
2. After a brief review of matters as mentioned in the last meeting, and more particularly on the terms and conditions pertaining to "Swap Deposits" offer made by the SBP Governor to Banks, the Chairman advised that he had circulated the proposal to all Foreign Banks; he had also met with the Chairman PBA (Shaukat Tareen) and communicated with NBFIs (through Irfan Siddiqi of PKIC) regarding the proposal. A response was requested from all Banks, PBA, and NBFIs by the 7th December, although only 4 Banks had responded, with conditional acceptances.

The response from Banks (or the lack of it) was indeed disappointing, given the alternative available.

3. In the interim, the Chairman advised having sent to the SBP Governor, the text of a formal agreement, for all Banks (incl. 3rd party Swap depositors) to sign - in anticipation of the Banks approval being received; the concept of any commercial agreement with Banks was not acceptable to SBP.
4. In view of the current position therefore, it was felt necessary to call for an urgent OICCI meeting to resolve this matter, and attempt to achieve 'completion'. The Chairman then discussed with the Banks' representatives at the meeting, a proposal containing, the text of a single agreement with SBP, either in the shape and form of a Circular or letter to be signed by SBP in favour of Banks or an agreement to be executed jointly (SBP/Banks). Some debate evolved around this topic, as regards the formal wordings, although Banks largely agreed to the following conditions from SBP, to the 2 year roll-over of Swap Deposits:-
 - a) The outstanding deposits will be initially rolled over for a period of one year from the date of their respective maturities.
 - b) 20% of the total amount of these deposits will be allowed to be repatriated at the expiry of the first roll over period of one year.
 - c) The remaining 80% of the deposits will be rolled over for a further one year period, where after these will be allowed to be repatriated in full.
 - d) Forward cover fee of 5.5% p.a. will apply to such deposits throughout the two years period.
 - e) SBP will allow payment of interest on these deposits @ LIBOR plus 1% p.a.
 - f) If the counter part Rupee funds are maintained with SBP, in a special deposit account, SBP will allow 2.25% spread above cost of the deposit (inclusive of cost of forward cover premium and the 1% margin over LIBOR)
 - g) Banks will be permitted to roll over existing swap deposits on interest periods of 1, 3, 6 or 12 months within the overall repayment scheme of two years, as mentioned herein.
 - h) This repayment scheme will apply to all Swap Deposits maturing on or after December 1, 1998.
 - i) These terms to apply to all Financial Institutions in the Country.
5. The Chairman selected the following members who were to finalize a letter to the Governor, State Bank of Pakistan on behalf of the Chamber in this respect:-

a)	Mr. Zahid Rahim	Chairman	Standard Chartered
b)	Mr. Azhar Hameed		ANZ Grindlays
c)	Mr. Zakir Mahmood		Credit Agricole
d)	Mr. Nauman Dar		Bank of America
6. With no further points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

Note:

The Chairman had arranged an appointment with the SBP Governor at 12.00 noon, in order to finalize agreements for the roll-over of Swap Deposits. Azhar Hameed and Zakir Mahmood accompanied the Chairman in a meeting with the Governor, where the matters were discussed and brought to their conclusion.

17th March, 1998.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON 12TH MARCH, 1998 AT 2.30 PM IN THE CHAMBER'S PREMISES**

PRESENT

MR. ROBERT JONES	IN CHAIR	CADBURY
MR. SHAHID M. KHAN		INDUS MOTOR
MR. SARFARAZUDDIN		PHILIPS
DR. A. M. DEVINE		SHELL
MR. M. KAZEROUNI		SKF SOUTHEAST

LEAVE OF ABSENCE

MR. MUNNAWAR HAMID	CHAIRMAN	ICI
MR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. MASHKOOR ALAM		LEVER BROTHERS
MR. WAJAHAT SIDDIQUI		SIEMENS

In the absence of the Chairman, Mr. Robert Jones chaired the meeting.

The minutes of the last meeting held on 17th December, 1997 which had been circulated earlier was confirmed. The meeting was informed that its recommendations on the Investment Policy were approved by the Managing Committee and has been forwarded to the Government.

The meeting was also informed that four member companies had submitted recommendations for the Trade Policy 1998 - 99. A summary of these proposals were tabled and is attached to these Minutes.

The Chairman stated that a review of Chamber's last year's proposals should be done to ascertain, if any of last year's proposals, which remain unimplemented, should be pursued again this year. It was agreed that the following items be repeated in the proposals for 1998-99 :

1. COMPUTERIZATION OF IMPORTS DOCUMENTS

Proposal

- (i) Present form of Bill of Entry should be modified and designed in a manner to meet computer's requirement for data entry.
- (ii) Computerization process to be introduced in imports processing.

2. IMPORT OF OFFICE EQUIPMENT

Proposal

Check on non legal imports of office equipment can be exercised effectively by:

- (a) Restricting any uplift to C & F value as aggregate import cost in excess of 20%. Higher the duties more attraction it provides to the smugglers.

- (b) Suppliers of the office equipment, be asked to mention particulars of legal imports in their tender document when submitting to the Government, Semi Government and other bodies.

3. EXPORT AND RE-IMPORT OF DEFECTIVE EQUIPMENT

Proposal

Procedure for export and re-import of defective equipment be simplified.

4. IMPORTS BY OIL AND GAS COMPANIES

Proposal

All matters related to import and export authorization of Oil and Gas Companies be handled centrally by the Regulatory Authority of Ministry of Petroleum & Natural Resources, without any reference to other Ministry.

5. IMPORT POLICY ISSUES

(i) Proposal

Import Policy Order also allows import against Foreign currency demand draft where amount does not exceed US\$ 10,000/- or equivalent. This facility was first granted in July, 1994. It is suggested that this amount may be increased to USD & 50,000/- which will bring down the costs of imported items as the bank charges incurred for establishing letter of Credit, will be avoided.

6. ENCOURAGEMENT OF LOCAL INDUSTRIES

(i) Proposal

To encourage local manufacturers tariffs should be rationalized so that manufacturing in Pakistan does not attract more levies, than those applied to import of the same product. The burden of taxation on local manufacturing must not make import of finished products more attractive. Although measures have been taken in the recent budget to correct this situation, it needs constant review. In our opinion the local manufacturing must have a 25% advantage in total government levies that are payable in relation to imports.

(ii) PROPOSAL - AFGHAN TRANSIT TRADE AGREEMENT

Misuse of the agreement with Afghanistan be minimized. The list of items not permissible for imports to Afghanistan be reviewed.

7. WORK VISA POLICY

Proposal

Work visa of expatriate managers and technocrats be issued for longer duration and there should be no restriction on Exit or re-entry during the tenure of the visa.

The proposals received from the four member companies were examined. As many of them related to tariff and taxation, and did not fall within the preview of the Trade Policy, it was decided that these be sent to the Chamber's Standing Sub Committee on Taxation for their consideration.

The following proposals were accepted from among the fresh suggestions for inclusion in the Chamber's recommendations:

- a) Limit for import of free charge trade samples to be enhanced from Rs.25,000 to Rs.100,000 per annum.
- b) The current procedure for duty drawback on pharmaceutical products is very complicated and entails cumbersome filling of form for individual products. The procedure to be simplified and standard rate of duty drawback be derived as a percentage of the FOB value of the imported inputs.
- c) Import Policy Order also allows import against Foreign currency demand draft where amount does not exceed US\$ 10,000 or equivalent. This facility was first granted in July, 1994.

This amount may be increased to US\$ 50,000 which will bring down the costs of imported items as the bank charges incurred for establishing letter of Credit, will be avoided.

- d) Import of second hand/reconditioned Testing/Analysis equipment, Apparatus and Appliances covered under Chapter 90 of the Pakistan Customs Tariff are not allowed as per Import Policy Order 1997-98.

Since Testing/Analysis equipment are generally used in the pharmaceutical industry and are their basic requirements therefore it is suggested that import of reconditioned Testing/Analysis equipment falling under Chapter 90 may be allowed to Pharmaceutical Industry. This will also result in savings of a significant amount of valuable Foreign Exchange.

Date of next meeting was set for Wednesday 22nd April, 1998 at 2.30 PM.

The meeting thereafter ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

Attachments:

**SUMMARY OF PROPOSALS RECEIVED IN CONNECTION WITH FORMULATION OF
TRADE POLICY 1998-99**

In response to our circular No.39 dated 4th March 1998 we have received under-noted proposals to incorporate:

1. PROCTER & GAMBLE PAKISTAN (PVT) LTD.

- Implementation of cascading tariff's policy.
- Continued reduction in the duties and taxes for material and finished products to help compete with smugglers, keep prices down to encourage consumption and allow test markets of new brands/market.
- Eliminate presumption taxes for companies getting their books audited by Government approved audit firms.
- Simplify the tax collecting system.

2. ENGRO ASAHI POLYMER & CHEMICALS (PVT) LTD.

- Anomaly existing in import tariff structure.
- Chemical industries are obliged to purchase plant & machinery for chemical plants locally which generally are sub-standards and their supply schedule often delayed.

3. KNOLL PHARMACEUTICALS LTD.

- Tariff protection to be provided for local industries.
- Custom Duty and Sales Tax on plant and machinery of Pharma industries should be @ 10% and NIL on Sales Tax.
- Problems in ITP fixation to be eradicated.
- Regularity Duty @ 10% on sugar to be removed.
- Limit of free samples to be enhanced from existing Rs.25,000/- to Rs.100,000/- P.A.
- Complications in fixation of Export Duty Draw Back to be simplified.
- Anti Pollution Equipment – not manufactured locally, to be fully exempted from all import levies.

4. ROCHE PAKISTAN LIMITED

- Import Policy Order also allows import against Foreign currency demand draft where amount does not exceed US\$ 10,000/- or equivalent. This facility was first granted in July, 1994.
- Import of second hand/reconditioned Testing/Analysis equipments, Apparatus and Appliances covered under Chapter 90 of the Pakistan Customs Tariff are not allowed as per Import Policy Order 1997-98

14th April, 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON TUESDAY 14TH APRIL, 1998 AT 11.00 AM
IN THE CHAMBER'S PREMISES**

PRESENT

MR. MUNNAWAR HAMID	CHAIRMAN	ICI
MR. ROBERT JONES		CADBURY
MR. WAJAHAT SIDDIQUI		SIEMENS
MR. HAMIDUDDIN		SIEMENS

LEAVE OF ABSENCE

MR. AZIZ A. MAJID	ANZ
DR. MUZAFFAR IQBAL	GLAXO WELLCOME
MR. SHAHID M. KHAN	INDUS MOTOR
MR. MASHKOOR ALAM	LEVER BROTHERS
MR. SARFARAZUDDIN	PHILIPS
DR. A. M. DEVINE	SHELL
MR. M. KAZEROUNI	SKF SOUTH EAST ASIA & PACIFIC

Chairman welcomed the Members to the meeting, which had to be postponed on two earlier occasions, 2nd April and then again on 10th April for want of adequate level of participation. He said that today's meeting had a single point agenda, and that was to finalize the Trade Policy proposals for 1998 / 99, which are likely to be considered at the meeting of the Advisory Council on 16th April, 1998 in Islamabad.

The meeting was informed that the Trade Policy proposals which were formulated at the earlier meeting of the Sub Committee held on 12th March, 1998 have already been circulated. Today's meeting has been called to consider the additional proposals received from Member Companies after the 12th March, 1998.

The proposals received from the following companies were tabled for consideration:

1. Reckitt & Colman of Pakistan Limited letter dated 19th March, 1998.
2. Muller & Phipps (Private) Limited letters dated 10th / 16th March, 1998.
3. ICI Pakistan Limited letter dated 13th March, 1998

After consideration of all the three letters listed above, it was agreed that the following additional items be added to the earlier Trade Policy proposals, and forwarded to the Ministry of Commerce today:

A. ENACTMENT OF ANTI-DUMPING LAWS FOR SODA ASH

Given the recent dumping of imported Soda Ash from China and Eastern Europe, it is recommended that anti dumping laws be enacted, in order to safeguard the local industry. This import substitution industry saves millions of dollars in foreign exchange every year and provides employment opportunities to several hundreds in Pakistan.

B. ADHERENCE OF THE DEPARTMENT OF PLANT PROTECTION TO CONDITIONS LAID DOWN BY THE MINISTRY OF AGRICULTURE FOR PESTICIDE IMPORTS

In the agrochemical business, Rule 9A of the Agriculture Pesticides Rules allows importers to import any pesticide, irrespective of whether it is manufactured by the importers parent company or a third party, as long as certain pre-conditions are fulfilled. The Department of Plant Protection, however, has taken a view that multinational companies (including ICI Pakistan) can only import pesticides from their parent companies (i.e. no imports are allowed from third parties). This seems to be inconsistent with the earlier rule, laid down by the Ministry of Agriculture, which should serve as the final word in this issue.

C. MONOETHYLENE GLYCOL (MEG) SHOULD BE INCLUDED IN ITEMS IMPORTABLE FROM INDIA

MEG, a key raw material for manufacturing polyester staple fibre should be allowed to be imported from India, where prices are significantly below those in Saudi Arabia and the Far East. The potential benefits would be a reduction in the government's import bill, and cheaper raw material for locally manufactured PSF. This would keep PSF prices lower and further boost textile exports.

D. IN THE AGROCHEMICAL INDUSTRY THE REQUIREMENT OF SALES TAX EXEMPTION CERTIFICATE (STEC) FOR PESTICIDES IMPORTS SHOULD BE WAIVED

Pesticides in the agrochemical industry can only be imported after obtaining a Sales Tax Exemption Certificate (STEC) which, in turn, must be preceded by a No Objection Certificate (NOC). This lengthy process results in delays, and STEC could be done away with, to make the overall process more efficient.

It was agreed that letters be written to the companies that the proposals regarding the Trade Policy were considered at today's meeting, and appropriate suggestions have been included.

With regard to the matters relating to the Tariff, these have been passed on to the Sub Committee on Taxation for their consideration at the next meeting scheduled for Monday 20th April, 1998.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY-GENERAL

25th June 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON 15TH JUNE, 1998 AT 4 PM IN THE CHAMBER'S PREMISES**

PRESENT

MR. MUNNAWAR HAMID	CHAIRMAN	ICI
MR. ROBERT JONES	IN CHAIR	CADBURY
MR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. SHAHID M. KHAN		INDUS MOTOR
MR. WAJAHAT SIDDIQUI		SIEMENS
- REP BY MR. HAMIDUDDIN		

LEAVE OF ABSENCE

MR. MASHKOOR ALAM	LEVER BROTHERS
MR. SARFARAZUDDIN	PHILIPS
DR. A. M. DEVINE	SHELL
MR. M. KAZEROUNI	SKF

The Minutes of the last meeting held on Tuesday 14th April, 1998 were conformed. There were no matters arising out of these Minutes.

- 1- Chamber's Secretariat tables a summary of replies received from Seven Member Companies in response to its Circular No. 96 of 5th June, 1998. A copy of this summary is attached.

Chairman commented the replies received are too few. He suggested that this be brought to the attention of the Managing Committee at their next meeting and put on the agenda for discussion. At this Managing Committee meeting, it should also be suggested that Mr. Khalil Masood be invited to the Chamber and a suitable date be agreed upon.

The Chairman further stated that the there should of \$ 480 per Metric Ton is too high, as is the 30% rate of Duty. The fixation of ITP has to be participative and transparent. The present procedure is neither. He also commented that the methodology of the six types of valuation needs to be clarified. These should be notified quickly. There is need to protect industry from too simplistic a method of checking under-invoicing. The Chamber has highlighted in the past also the conflict of interest between the traders and manufacturers, which needs to be recognized.

There is an inherent risk that un-scrupulous importers will resort on dumping and there is need to put antidumping legislation in place quickly.

- 2- On the question of definition of locally manufactured goods, the Chamber tables a two page extract of the submission it had made to the Deregulation Commission on 27th January, 1997. The Chairman suggested that a task force be formed to be headed by Mr. Zaffar Khan of Engro Chemical and consisting of the following:

MR. HAMIDUDDIN AHMED – SIEMENS
MR. SHAHID M. KHAN - INDUS MOTOR
REPRESENTATIVE FORM ICI

To consider the matter in depth and submit its recommendation to the Sub Committee.

He also requested R. Muzaffar Iqbal of Glaxo Wellcome to lead the task force for the Pharmaceutical Industry and after consultation with members, make a suitable recommendation to the Sub Committee.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

Attachment: Summary of replies received in response to Circular No. 96

Responses for Circulars No 96 of 5th June 1998 received from following members

1. BASF Pakistan (Pvt.) Limited

1. Desire change in parameter of ITP i.e. 'Dyes' and 'Chemicals' be deleted from ITP regime.

2. Bayer Pakistan (Pvt.) Limited

1. No ITP should be fixed on Pharma Raw Packing & finished goods.

2. 'Value' on which importers paid duties be acceptable to Income Tax Department as well.

3. If the ITP is fixed then there should be no 'valuation loading' to be made in case of imports from Associated Companies.

4. If the ITP is fixed for 'finished goods' for which no competitive price is available the valuation loading should not be made in case of imports for Associated Loss.

3. Engro Asahi Polymer &

1. Circumstances under which custom authorities can Chemical (Private) Limited challenge or reject invoice should be clearly defined and duly supported by respective documents.

2. Importers must be given the right to appeal.

3. Parameter of past clearance audit be clearly defined.

4. Engro Chemical Pakistan Limited Nil

5. Filtrona Pakistan Limited

1. Desire that Italian price of Towel, Paper and Triacetone may be considered for valuation.

6. General Tyre & Rubber Company Limited

1. The revised parameter for fixation of ITPs will adversely affect the cost of production. All the items exceeding value US\$ 480 per metric ton will be covered in the ITPs manual which will remain valid for 6 months. During the intervening period the advantage of currency fluctuation the East Asian countries from where most of our raw materials are produced will not be available to the local manufactures, during the last 4 months nearly 3-5% reduction in the price of raw material has taken place due to weakening of the currencies of the East Asian countries.

2. Further the circular states that any revision in the ITP values during 6 months period can only be affected through the approval of the CBR. This again will involve a lot of efforts and time and will affect the cost of production.

7. ICI Pakistan Limited

1. Whilst the proposed procedure for regular fixation of ITP is welcome, there is unclarity how this will impact on businesses as sufficient details are not available as to the methods listed at 1-6 ranging from transaction value to the fall back method will be applied. Until the basis of these calculations are available, it is impossible to assess whether ITPs will be fixed at appropriate levels to protect domestic industry from dumping by foreign manufacturers.
2. From the information given in Central Board of Revenue's note of 16 May 98, *ITP updates will only be carried out of products with valuations higher than US \$ 480 per metric ton or with import duties in excess of 30%*. These parameters will exclude a number of Commodities manufactured in Pakistan and so for protection of domestic industry, it is important that regular ITP updates to economic prices are carried out by custom authorities in consultation with local manufacturers for products whose values fall below the specified amount. It becomes extremely important that if the WTO agreement on valuations is implemented that appropriate and relevant anti-dumping legislation should be in place. Also, importantly, procedures and processes for invoking anti-dumping legislation should be sharp and streamlined to protect domestic industry.
3. The Chamber must aggressively recommend progress on anti-dumping legislation as the fall out impact of the Far Eastern economic on Pakistan manufacturing would become more severe if clear messages are not sent out to the manufacturers that the Government of Pakistan will move fast to protect domestic industry against unfair competition and dumping practices.

5th October, 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON THURSDAY 1ST OCTOBER, 1998 AT 9 AM
IN THE CHAMBER'S PREMISES**

PRESENT

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
MR. M. KAMIL SHAH BAZKAR		PHILIPS
DR. A. M. DEVINE		SHELL
MR. HAMIDUDDIN		SIEMENS

LEAVE OF ABSENCE

DR. MUZAFFAR IQBAL	GLAXO WELLCOME
MR. AZHAR A. MALIK	ICI
DR. ARUNA BANDARNAYAKE	LEVER BROTHERS
MR. NAEEM SHAIKH	RHONE POULENC RORER

1. Chairman, welcomed the Members of the Committee and emphasized that the Committee should meet preferably once every month. Matters arising in between needing immediate attention, can be circulated amongst the Members asking for their opinion instead of waiting for the next scheduled meeting.
2. On the subject of proposed changes in the basis of valuation of goods for levying duties and taxes to make it conform to WTO Agreement On Valuation, it was considered advisable that several Members of the Sub Committee should preferably attend a 3 day Workshop on GATT Code of Valuation organized by Karachi Customs from October 5 – 7, 1998. A Circular to this effect has been issued suggesting that Members attend.
3. The Committee was informed that the Task Force formed to look into the definition of "Locally Manufactured Goods", met under the Chairmanship of Mr. Zaffar A. Khan on 17th September. The Minutes of the Meeting are expected in the near future.
4. Recommendations of the Task Force on transfer pricing formed under the leadership of Dr. Muzaffar Iqbal, on matters related to Pharmaceutical Industries, not being available, could not be discussed. It was however decided that the Chairman would consult Mr. Kamran Y. Mirza and seek his cooperation in this matter, in order to expedite the recommendations of the Task Force.
5. Dr. Devine of Shell Pakistan resigned from the Sub Committee as Shell was already well represented by the Chairman. It was decided to co-opt Mr. Philippe A. Bovay of Procter & Gamble on the Committee. The issues raised in his letters of 18th and 28th August, 1998 will be taken up as and when he is available – preferably at the next meeting.
6. To consider the proposed Draft of the Consumer Protection Bill 1998 the Chairman suggested that after seeking permission of the President, Members of the Sub Committee should be provided a copy of the Draft Bill. They should be requested not to pass it on to any one else except their in-house legal experts for consultation.

7. Secretary General informed the meeting that the President has requested that Member Companies should advise him how effectively the "Express Lane Facility" at Karachi Customs was working. Chairman suggested that this matter be taken up at the next meeting.
8. Next meeting of the Committee to be held on Thursday 15th October, 1998 at 9 AM in the Chamber's premises.

With no other matter to discuss the meeting ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

15th October 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON 15TH OCTOBER, 1998 AT 9 PM IN THE CHAMBER'S PREMISES**

PRESENT

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
MR. AZHAR A. MALIK		ICI
- REP BY MR. FERDZ RIZVI		
MR. M. KAMIL SHAH BAZKAR		PHILIPS
- REP BY MR. SARFARAZUDDIN		
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. NAEEM SHAIKH		RHONE POULENC RORER
MR. HAMIDUDDIN		SIEMENS
- REP BY MR. TERTIUS VERMEULEN		

LEAVE OF ABSENCE

DR. MUZAFFAR IQBAL	GLAXO WELLCOME
DR. ARUNA BANDARNAYAKE	LEVER BROTHERS

- 1- The Minutes of the Meeting held on 1st October, 1998 were confirmed.

MATTERS ARISING OUT OF THE LAST MINUTES.**2- WTO VALUATION AGREEMENT**

Seventeen Member Companies of the OICC&I attended the 3 day Workshop organized by Directorate of Training by Karachi Customs between 5th, 6th and 8th October, 1998 alongwith the Deputy Secretary of the Chamber.

Central Board of Revenue intends to put the WTO Valuation system in operation effective 1st July, 1999, six months in advance of the deadline of 1st January, 2000 set in the WTO Agreement.

The change is from the notional concept of value of imported goods visualized in the Brussels Definition of Value (BDV) to the positive concept of value under the WTO Agreement.

Under the WTO Agreement, the primary method is the transaction value of imported goods, Where there is no sale or where the sale does not meet specified conditions of the transaction value, then five secondary methods are to be followed. These five methods in hierarchical order are:

- I Transaction value of identical goods
- II Transaction value of similar goods
- III Deduction method (price at which greatest number sold to an unrelated buyer)

- IV Computed value (manufacturing cost + profit + expense, etc.)
- V Fall back method (based on data available in Pakistan)

Each of the secondary methods under the WTO Agreement is self contained and stands on its own irrespective of how the result may compare with a determination which might be reached by another method.

Insufficient details are available on how each of these methods will be applied and the unclarity needs to be removed, and the basis of calculation made transparent.

It was agreed that to further progress this matter, the following needs to be done:

- A. Member Companies to obtain detail from their Head offices on the basis of calculation of all the secondary methods
- B. Specialist Group consisting of Siemens / ICI Procter & Gamble / Cadbury be formed to study this matter in depth and make recommendations.
- C. Chamber to circularize to all Members the envisaged change in methodology and elicit reaction if a seminar / meeting should be organized with the Director Training, Customs to bring clarity in the matter.
- D. Chamber to write to Member Customs, Central Board of Revenue in Islamabad about the concerns on the impending changes and the lack of clarity in the matter.

3. DEFINITION OF LOCALLY MANUFACTURED GOODS

The recommendations of the OICC&I Task Force consisting of six Member Companies headed by Mr. Zaffar Khan dated 5th October, 1998 were tabled for discussion.

It was felt that out of the nine recommendations, the first recommendation was too stringent and may discourage local manufacture and needs to be watered down.

It was agreed that draft of proposed letter forwarding the Chamber's recommendations to the Central Board of Revenue be circulated to the Sub Committee Members, to seek consensus.

4. PRESUMPTIVE TAXES (WITHHOLDING TAXES)

The recommendations of the Taxation Sub Committee in the form of a proposed letter to Chairman, Central Board of Revenue were tabled for discussion (Draft letter dated 14th October, 1998).

The Sub Committee approved the proposed draft, with the proviso that the minimum turnover tax which is also a Presumptive Tax be taken up by the Taxation Sub Committee separately, as this is also inequitable especially to those companies who are commencing operations, and to those who are in a loss situation due to heavy capital expenditure availing capital allowances.

5. PROTECTION TO LOCAL INDUSTRY

The issue has been raised in Procter & Gamble's letters of 18th and 28th August and the Chamber's reply dated 21st August.

The matter was deferred to the next meeting.

6. CONSUMER PROTECTION BILL 1998

This matter too was deferred for next meeting to allow Member Companies and their in-house legal officers to comment on this proposed legislation.

7. EXPRESS LANE FACILITY (ELF) AT KARACHI CUSTOMS

A feedback is required on how this facility is working in order to keep Central Board of Revenue abreast.

8. Y2K COMPLIANCE

Chairman suggested that this be placed on the Agenda for the next meeting.

Next meeting scheduled for FRIDAY 30TH OCTOBER, 1998 AT 9 AM.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

DRAFT LETTER TO SUB COMMITTEE MEMBERS ON COMMERCIAL & INDUSTRIAL MATTERS

15th October, 1998

**The Chairman,
Central Board of Revenue,
ISLAMABAD.**

Dear Sir,

LOCALLY MANUFACTURED ENGINEERING GOODS

During your visit to this Chamber towards the end of March this year, it was pointed out that Companies setting up projects in Pakistan, and some Companies manufacturing but importing components and sub-components of engineering industry are facing difficulty at the time of customs clearance, and disputes arise in determination of locally manufactured engineering goods.

Although CGO 7/98 is a reference document listing all engineering items locally manufactured, it is too general and in some ways is vague and specifications are not clear and is subject to use of discretionary power by Customs Officials and creates many problems for the importers of Plant and Machinery and also for importers of components and sub-components.

There is need to have an ongoing review of this reference document by a Committee of Experts to establish if a product is manufactured locally to the appropriate specifications, before it can be included in CGO 7/98.

Similarly if new products are introduced by the local industry and they meet the appropriate specifications, they should after review be promptly included in CGO 7/98.

There should also be an agreed and efficient procedure for addressing such disputes by a review committee.

For the Petroleum Industry, such a review committee exists, which consists of DGPC, PPECA, Customs and is chaired by the Pakistan Engineering Board. There is need to introduce this concept to other sectors like General Engineering, Telecommunications and Pharmaceuticals. Such committees when formed should have experts from the respective industry and be neutral and independent. They can be made effective by having strong private sector representation.

We attach a list of nine specific recommendations in this respect.

We hope that these will be acceptable to you and if implemented, will result in conflict resolution and also provide legitimate protection to the Local Engineering Industry.

Yours truly,

**ZAHID ZAHEER
SECRETARY GENERAL**

Attachments : 9 Recommendations

Circular No. 165**15th October, 1998****CEO's Member Firms**

In June this year the Chamber had through its Circular No.96 informed the Members of the revised parameters for fixation of Import Trade Prices (ITP's) for imported goods.

We had also informed Members that under the WTO Agreement on Valuation, Pakistan is obliged to adopt the GATT Valuation System. Although the permissible date for the change is January 2000, it is expected that CBR Customs will implement the change effective 1st July 1999.

With this impending change from the current notional concept of value known as the Brussels Definition of Value (BDV) to the positive concept of Transaction Value (GATT Valuation System), the sale invoice value where the sales meet the specified conditions, will be accepted, and this will be the primary method of valuation. However where there is no sale or the sale does not meet the specified conditions, secondary methods will be employed, each have been defined and set out in a hierarchical order and these will be followed in the prescribed order of progression.

These are :

- I Transaction value of identical goods
- II Transaction value of similar goods
- III Deduction method (price at which greatest number of goods are sold to an unrelated buyer)
- IV Computed value (Manufacturing cost + Profit + Expenses, etc)
- V Fall back method (Based on data available in Pakistan)

Sufficient details are not available about the methods listed above and the basis of these calculations need to be transparent to remove unclarity in the matter. This will remove the uncertainty on how these will impact our business.

The purpose of this letter is to elicit from you the interest of your company, if the Chamber was to invite the Directorate of Training, Customs, Karachi for a half day program at the OICC&I premises to bring some clarity into this matter.

Upon receipt of your reply, we shall proceed further.

ZAHID ZAHEER
SECRETARY GENERAL

3rd November 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON FRIDAY 30TH OCTOBER, 1998 AT 9 AM
IN THE CHAMBER'S PREMISES**

PRESENT

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ASAD UMAR		ENGRO ASAHI
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. AZHAR A. MALIK		ICI
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
MR. TERTIUS VERMEULEN		SIEMENS

LEAVE OF ABSENCE

MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
DR. ARUNA BANDARNAYAKE		LEVER BROTHERS
MR. NAEEM SHAIKH		RHONE POULENC RORER

1. Minutes of the Meeting held on 15th October, 1998 were confirmed. Chairman invited discussions on matters arising out of the last meeting.

2. WTO VALUATION AGREEMENT

Secretary General informed the meeting that based on the responses received to Chamber's Circular No. 165 dated 15th October, 1998, he had written to the Member Customs, Central Board of Revenue on 28th October requesting that a half day programme be initiated at the OICC&I premises by the Directorate of Training, Customs, Karachi at a mutually convenient dates to bring clarity into the matter of secondary methods of valuation visualized in the WTO Agreement.

Responses from Head Offices of member Companies explaining basis of calculations of secondary methods are still awaited, and it is expected that a four Member Specialist Group consisting of Siemens / ICI / Procter & Gamble / Cadbury will make suitable recommendations in the matter.

3. DEFINITION OF LOCALLY MANUFACTURED GOODS

Secretary General informed the meeting that he had circulated the draft of the proposed letter to the chairman, Central Board of Revenue to all the Sub Committee Members, but no comments have so far been received.

It was pointed out that recommendations attached to the draft letter were essentially the same as those made out by the six Member Company Task Force headed by Mr. Zaffar A. Khan.

Since some Members felt that the first recommendation has not been watered down, the Chairman requested Mr. Phillippe Bovay to redraft the first recommendation.

The role of the Engineering Development Board was discussed. Secretary General was advised to seek representation of the Chamber on the Pakistan Engineering Board.

4. PRESUMPTIVE TAXES (WITHHOLDING TAX)

Secretary General informed the meeting that the President has written on behalf of the Chamber to the Chairman, Central Board of Revenue and Dr. Hafeez Pasha on the above subject. It was agreed that the matter will be followed up with Mr. Moinuddin Khan, Mr. Moen Afzal and Dr. Pasha, whenever the opportunity presents itself.

Chairman suggested that the Chamber seek an appointment with Dr. Pasha after the 15th November to discuss Taxation issues.

Chairman wished that the matter relating to Turnover Tax be also taken up by the Taxation Sub Committee and Secretary General to coordinate with the Chairman of the Taxation Sub Committee to take up the matter with the Central Board of Revenue and the Secretary, Ministry of Finance.

5. PROTECTION TO LOCAL INDUSTRY

It was decided to put this matter on the top of the Agenda of the next meeting of the Sub Committee.

Meanwhile Procter & Gamble Pakistan (Private) Limited's letters dated 18th and 28th August, 1998 and the Chamber's reply dated 21st August be circulated to all members of the Sub Committee.

6. DRAFT CONSUMER PROTECTION BILL 1998

This matter too was deferred for the next meeting, as the response from Legal Officers of the Companies was awaited.

7. EXPRESS LANE FACILITY

The response received from Lever Brothers Pakistan Limited and Engro Chemical Pakistan Limited were tabled and considered. Secretary General to reply to the two companies about the matter.

It was agreed that a response should be sent to the Chairman, Central Board of Revenue supporting the scheme and making its implementation more effective, and seeking clarification if the scheme has been temporarily suspended.

8. Y2K COMPLIANCE

The meeting was informed that the Chamber initiated this matter with Member Companies, vide its Circular No. 103 seeking status of compliance. From the responses received from Members, it was evident that there is considerable degree of awareness and compliance was well in hand.

It was agreed that no further action is warranted and the matter will be reviewed in early 1999.

9. RECOMMENDATIONS OF TASK FORCE ON TRANSFER PRICING

Inputs from Dr. Muzaffar Iqbal, Technical Director, Glaxo Wellcome Pakistan Limited dated 28th October, 1998 were tabled for consideration.

The matter was deferred for the next meeting.

Next meeting will be held on FRIDAY 13TH NOVEMBER, 1998 AT 9 AM IN OICC&I PREMISES.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

25TH NOVEMBER, 1998.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON FRIDAY 13TH NOVEMBER, 1998 AT 9 AM
IN THE CHAMBER'S PREMISES**

PRESENT

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
MR. ASAD UMAR		ENGRO ASAHI
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. M. KAMIL SHAH BAZKAR		PHILIPS
Rep By Mr. Sarfarazuddin		
MR. PHILIPPE BOVAY		PROCTER & GAMBLE

LEAVE OF ABSENCE

MR. AZHAR A. MALIK	ICI
DR. ARUNA BANDARNAYAKE	LEVER BROTHERS
MR. NAEEM SHAIKH	RHONE POULENC RORER
MR. TERTIUS VERMEULEN	SIEMENS

Minutes of the meeting held on 30th October, 1998 were confirmed.

1. MATTERS ARISING OUT OF THE LAST MINUTES

a) LOCALLY MANUFACTURED ENGINEERING GOODS

The meeting was informed that after discussions with Mr. Philippe Bovay, it was agreed that the draft letter circulated earlier by the Secretary general outlining the Task Force's recommendation be sent to the Government of Pakistan.

It was also agreed that the draft of the letter to the Engineering Development Board seeking OICC&I's representation be sent .

b) PRESUMPTIVE TAXES (WITHHOLDING TAX)

It was agreed that interaction with Central Board of Revenue be held in early December, 1998 after the IMF teams visit, to follow up the Chamber's proposals outlined in OICC&I's letter of 14th October, 1998 addressed to Dr. Hafiz Pasha.

It was also agreed that the Secretary General will take up the matter with the Taxation Sub Committee to finalize proposals about selective removal of minimum Turnover Tax.

c) CONSUMER PROTECTION BILL 1998

It was agreed that this matter be deferred to the next meeting, to enable Members to obtain feedback from Head Offices.

d) RECOMMENDATIONS ON TRANSFER PRICING

Dr. Muzaffar Iqbal had earlier circulated the Pharma Bureau's position on Transfer Pricing.

It was agreed that the matter be deferred for a subsequent meeting.

2. PROTECTION TO LOCAL INDUSTRY

Procter & Gamble's letters dated 18th and 28th August and Chamber's Reply dated 21st August, 1998 were tabled for discussions.

After discussions, it was agreed that OICC&I policy in this matter needs to be reviewed and suitable recommendations made to the Managing Committee. Mr. Philippe Bovay volunteered to write an umbrella approach document for the Managing Committee's consideration.

Chairman stated that the change may be brought about gradually.

3. LETTER DATED 6TH NOVEMBER, 1998 FROM THE ADDITIONAL COLLECTOR OF CUSTOMS

This letter was tabled for discussion. The letter describes various new services offered by the Customs Department. They also offer to send a team of Customs Officials to the Chamber to explain the services.

It was agreed that the Chamber would write to the Collector and seek a date in the first week of December for such a visit.

4. PROCTER & GAMBLE'S LETTER DATED 12TH NOVEMBER, 1998

The above letter eliminating counterfeiting was discussed.

It was agreed that the proposed Questionnaire be sent out to all OICC&I Members to reply.

NEXT MEETING FIXED FOR WEDNESDAY 2ND DECEMBER, 1998 AT 9 AM IN OICC&I.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

10TH December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB COMMITTEE ON COMMERCIAL & INDUSTRIAL MATTERS
HELD ON WEDNESDAY 2ND DECEMBER, 1998 AT 9 AM
IN THE CHAMBER'S PREMISES**

PRESENT

MR. T. V. HIGGINS	CHAIRMAN	SHELL
MR. ASAD UMAR		ENGRO ASAHI
DR. ARUNA BANDARNAYAKE		LEVER BROTHERS
MR. M. KAMIL SHAH BAZKAR		PHILIPS
MR. SARFARAZUDDIN		
MR. PHILIPPE BOVAY		PROCTER & GAMBLE

LEAVE OF ABSENCE

MR. ROBERT JONES	CO-CHAIRMAN	CADBURY
DR. MUZAFFAR IQBAL		GLAXO WELLCOME
MR. AZHAR A. MALIK		ICI
MR. NAEEM SHAIKH		RHONE POULENC RORER
MR. TERTIUS VERMEULEN		SIEMENS

- 1- Minutes of the last meeting held on 13th November, 1998 were confirmed with the following change in the last line of Para 2 to read:

"Chairman stated that the support to local industry needs to be reduced gradually..

2. MATTERS ARISING OUT OF THE LAST MINUTES

- a) The meeting was informed that the letter seeking representation for the OICC&I on the Engineering Board had already been sent. Chairman desired that this matter be followed up with Islamabad.
- b) The meeting was informed that the issue of Presumptive Taxes was taken up with Mr. M. S. Lal, Chief of Direct Taxes, Central Board of Revenue when he visited the Chamber on Monday 30th November, 1998 and met Members of the taxation Sub Committee.

It is expected that this matter will now be discussed with the Minister of Finance and a note is being prepared for Minister, Mr. Ishaque Dar by the Chairman, Taxation Sub Committee.

It is also expected that Managing Committee Members will be meeting the Minister of Finance shortly.

- c) The meeting was informed that comments have been received from ICI, Procter & Gamble, Engro Asahi and Shell on the Consumer Protection Bill 1998. It was agreed that the Secretary General would summarize the comments, before the Christmas Holidays and circulate to Members of the Committee.

- d) It was decided to drop the issue of Transfer Pricing, as the Committee was made to understand that the Pharma Bureau is dealing with this matter directly.

3. PROTECTION TO LOCAL INDUSTRY

Mr. Bovay's note dated 22nd November, 1998 on the umbrella approach for protection to local industry was tabled for consideration.

Copy of note is attached.

4. VISIT OF ADDITIONAL COLLECTOR OF CUSTOMS

It was agreed that the Additional Collector of Customs be invited to visit the Chamber on Thursday 10th December, 1998 at 3 PM to meet the Members.

5. MEASURES TO ADDRESS COUNTERFEITING OF PRODUCTS

Procter & Gamble's letter dated 28th November, 1998 was tabled and discussed. It was agreed that in collaboration with The American Business Council of Pakistan, a Steering Committee be formed to address the counterfeit issue. The contact persons in this respect will be:

MR. PHILIPPE BOVAY – ABC
MR. ZAHID ZAHEER - OICC&I

The Steering Committee to consist of Representative of the following Companies:

Procter & Gamble	- Mr. Philippe Bovay
Pepsi Cola	- Mr. Omar Farid
Shell	- Mr. Trudy Taylor
Lever Brothers	- Mr. Aruna Bandaranayake
Pakistan Tobacco	- Mr. Mick Fenn

Mr. Bovay to act as the Team leader, and interface with the Punjab Government be done on an institutional basis, rather than individual companies approaching the issue.

The next meeting was fixed for Friday 8th January, 1999 at 9 AM.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

November 22, 1998

OICCI: PROTECTING LOCAL INDUSTRY -- FINDING THE RIGHT BALANCE

PROPOSAL: OICCI modify its current "25% net protection" policy. The new policy recognizes and encourages the benefits of open competition from abroad, and focuses efforts on reducing some of the high local costs. It does accept protectionist duties for the first 5 years of "greenfield" investments.

NEGATIVE CONSEQUENCES OF "25% NET PROTECTION" CONCEPT

- Consumer prices are kept artificially high, and fuel inflation
 - Locally made products remain expensive because:
 - Material suppliers deliberately price just below the cost of imports with high duties
 - The 25% cushion does not encourage local industry to cut costs aggressively enough
 - Imported finished goods are made more expensive by high duties
- Pakistan's export potential is not realized
 - The 25% cushion discourages Companies from going all out to improve quality and cut costs to world class levels
 - Protectionist duties in Pakistan encourage protectionist barriers in other countries
- Local consumption remains underdeveloped, keeping local industry and Government revenue small
 - High consumer prices keep consumption levels far below other countries, even developing ones
 - High duties & taxes encourage smuggling and avoiding documenting the economy

BENEFITS OF COMPETITIVE FINISHED PRODUCT IMPORTS INTO PAKISTAN

- Higher technology products at competitive prices forces local industry to upgrade in quality & lower costs
 - The Pakistan consumer wins with yet more world class products at an affordable price
 - The Pakistan industry eventually becomes competitive with world class factories for exports
- Consumer prices stay lower for longer due to the competition
- Competitively priced imports & local products accelerates market development in underdeveloped Pakistan
- Imports free up limited funds for market development instead of equipment operating at fraction of capacity
 - Consumer quality of life improves
 - Government revenue increases, jobs are created
 - Companies can work efficiently and get a higher return on assets, encourages additional investment

FOCUS OF THE OICCI SHOULD BE ON ENCOURAGING GOVERNMENT TO REDUCE HIGH COSTS

1. Eliminate high local energy costs
 - Electricity 3x more expensive per kilowatt than in USA
 - Allow use of gas-fired generators. Develop local gas fields to replace large portion of oil imports

2. Eliminate Presumptive Taxes for law abiding companies documenting the economy
 - These taxes a cash flow burden for locally made products
 - These taxes discourage new investment as taxes are paid on losses during initial investment years
3. Eliminate octroi, at least for materials
 - Octroi on materials is a cost other countries do not incur
 - Octroi should ideally be completely eliminated, revenue instead included in small tax on diesel
4. Eliminate high communication costs
 - Allow Companies flexibility to use leased lines for voicemail, call-back facilities. Privatize telephone
5. Simplify the multitude & complexity of current taxes, each a source of potential corruption
 - Make specific proposals to the Government, as for Octroi in point 3 above
6. Eliminate anomalies to policy of cascading tariffs
 - No exceptions to materials & intermediates having duties below that of finished products
7. Generally lower duties and taxes as these are already too high
 - Government revenue will always be higher with low duties/taxes to encourage development rather than high duties/taxes which stifle development and encourage corruption

24TH APRIL 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
CORPORATE LAW HELD ON THURSDAY 23RD APRIL, 1998 AT 11 AM
IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT :

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. ALIM A. DANI		GLAXO WELLCOME
MR. S. K. HUSSAIN		HUB POWER
MR. AAMER AZIZ SAIYID		LEVER BROTHERS
- REP BY MR. SHEIKH A. MALIK		
MS. FAUZIA KAZMI		SHELL
MR. HALEEM KHAN		SIEMENS
- REP BY MR. ASHRAF SHARIF		

LEAVE OF ABSENCE :

MR. M. AKHTAR KHAN	CALTEX
MR. ANDALIB ALVI	ENGRO CHEMICAL
MR. T. A. BATLAY	LAKSON TOBACCO
MR. SAEED AKHTAR	P P L

WORKING GROUP:

Dr. ARUNA BANDARANAYAKE	LEVER BROTHERS
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Chairman welcomed the Members and said that today's meeting had a single point agenda, that is to discuss Central Depositor Company's related matters.

Secretary General informed the meeting that the Chamber has now received a complete and certified copy of the revised Issuer's Agreement and this has been circulated. It now contains Clause 15 which is an Exit Clause. The meeting agreed that under the circumstances, this revised Issuer Agreement should be recommended to OICC&I Members for acceptance.

The CDC regulations were then considered. The meeting was informed that CDC Act was gazetted on 10th June, 1997. CDC had submitted draft regulations to the Chamber in April, 1997, a copy of which was made available to Members of the Working Group. Apparently some members have received a revised draft of the CDC regulations which bears date "25th June, 1997".

Chamber's concern regarding regulation 8.10 which relates to the Depositors Warranties & Indemnity have so far not been addressed, although CDC did say that they will incorporate a suitable clause in the Securities Deposit form.

The meeting further identified the following clauses of the regulations which were of concern to the members:

2.6	4.10.4
2.64 (a) (ii)	5.1.3
2.65 (a)	5.1.5
2.65 (c)	8.2.1 (d)
2.67	8.2.5
2.71 (a) to (f)	8.4.4 (e)
2.11.1	9.1.2 (d)
3.7.1	10.3
3.10.9	12.1.1 (b)

3.14.6	12.3
3.16	13.1.3
3.18	

It was agreed that a letter would be sent to CDC outlining these concerns. Mr. Khurshid Hussain offered to prepare the draft of such a letter.

The letter of Mr. Najam Ali dated 4th March, 1998 covering operating procedures including Zakat deduction problem was discussed. It was agreed that Mr. Khurshid Hussain will also address these matters in his draft response.

The meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

25th August, 1998.

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE ON CORPORATE LAW HELD ON MONDAY 24TH AUGUST, 1998 AT 3 PM

PRESENT:

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MS. NAUSHEEN AHMED		ICI
MR ASLAM SADRUDDIN		PAKISTAN CABLES

LEAVE OF ABSENCE:

MR. FOWAD PALOBA	ABBOTT
MR. K. BAKHTIAR AHMED	CYANAMID
MR. S. K. HUSSAIN	HUB POWER
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR. AAMER AZIZ SAIYID	LEVER BROTHERS
MR. MOHAMMAD ASDAF	PHILIPS
MS. FAUZIA KAZMI	SHELL

The Chairman welcomed the Members to the first meeting of the newly constituted Sub Committee.

- Discussions took place on the issue of treasury stock and the proposed changes in Section 95 of the Companies Ordinance enabling companies to buy back their own shares. The draft ordinance was tabled for discussion.

The meeting was informed that the Government of Pakistan has constituted an Eight Member Committee under the Chairmanship of Mr. Khalil Mian (Chairman of PACRA) to prepare companies (Repurchase & Sale of Shares Rules) 1998. The Members were also informed that a meeting of the above Committee was recently held in Lahore, and the draft rules have been revised.

Mr. Zaffar Khan who is a Member of this Committee will be approached for a copy of the revised draft rules. Mr. Tariq Amin offered to obtain a copy of the revised draft rules from Chairman, Corporate Law Authority.

It was agreed to form a working group to consider this matter in detail and to make suitable recommendations. The working group to consist of:

- | | | | |
|----|-----------------------|--------------|-----------------|
| 1. | Mr. Andalib Alavi | Group Leader | Engro Chemicals |
| 2. | Ms. Nausheen Ahmed | | ICI |
| 3. | Mr. S. K. Hussain | | Hub Power |
| 4. | Mr. Aamer Aziz Saiyid | | Lever Brothers |

2. Discussions also took place on the possibility of the Government of Pakistan introducing new legislation for Consumer Protection. The draft of the proposed Consumer Protection Bill of 1993 was tabled for consideration. The meeting was informed that a draft of the Consumer Protection Bill 1993 was circulated many years ago to solicit public opinion, based on the thinking that there was need to enact a new comprehensive law for Consumer Protection. Subsequently a Consumer Protection Act was promulgated as Act III of 1995, which was applicable to the Islamabad area only. Mr. Tariq Amin informed the meeting that he had invited the Chairman, Monopoly Control Authority to visit the Chamber on Monday 31st August, 1998 at 3 PM to meet the Members and elucidate the Government's point of view.

Mr. Iqbal is expected to discuss changes in the Monopoly Control Law and the impending changes in legislation. There is a school of thought in the Government that the existing Monopoly Control Law does not provide for measures against unfair trade practices or deceptive trade practices, and are considering amending the Monopolies Ordinance.

The Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

13th November 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
CORPORATE LAW HELD ON 5th NOVEMBER, 1998 AT 3 PM
IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT:

MR. TARIQ AMIN	CHAIRMAN	RHONE POULENC
MR. MOHAMMAD ASLAM		BOC PAKISTAN
MR. ANDALIB ALAVI		ENGRO CHEMICAL
MR. S. K. HUSSAIN		HUB POWER
MR. AAMER AZIZ SAIYID		LEVER BROTHERS
MR. MOHAMMAD ASDAF		PHILIPS
MS. FAUZIA KAZMI		SHELL

LEAVE OF ABSENCE:

MR. FOWAD PALOBA	ABBOTT
MR. K. BAKHTIAR AHMED	CYANAMID
MS. NAUSHEEN AHMED	ICI
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR ASLAM SADRUDDIN	PAKISTAN CABLES

1. CONFIRMATION OF MINUTES

Minutes of the last meeting held on 24th August 1998 were approved.

2. MATTERS ARISING OUT OF THE MINUTES

Amendments in the Companies Ordinance, 1984 to permit companies to buy back their own shares.

The draft of above, which was circulated previously, was discussed at length by the members present along with the comments received from ICI Chairman requested Messers Andalib Alavi and Muhammad Aslam to document the changes agreed by the Committee at the earliest, in order to dispatch the comments of the Chamber to Corporate Law Authority.

**3. LETTER DATED 20TH OCTOBER 1998
RECEIVED FROM CLA REGARDING PROPOSAL
TO AMEND SECTION 50 OF THE
COMPANIES ORDINANCE, 1984**

The above letter was tabled and discussed, it was agreed that the proposed changes were not necessary for the reasons outlined in the letter.

CLA to be informed of the Chamber's comments.

4. ANY OTHER MATTER

The Chairman welcomed Mr. Muhammad Aslam of BOC Pakistan Limited as new member of the Committee for the year.

The request of Abbott laboratories (Pakistan) Limited to replace Mr. Malik Sasdatullah in place of Mr. Fowad Paloba, as member's representative of the Committee, was unanimously agreed. Mr. Malik Sasdatullah to be intimated accordingly.

The meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

13th April 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
ENVIRONMENT HELD ON FRIDAY 24TH MARCH, 1998
IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT :

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICAL
MR. S. MUSHARRAF ALI		ABBOTT
MR. M. S. NISHAT AHMAD		AGREVO
CAPTAIN N. A. FARUQI (RETD)		CALTEX
MR. JAVED AKBAR		ENGRO CHEMICAL
MAJOR A. A. ZUBERI (RETD)		SIEMENS

LEAVE OF ABSENCE :

DR. MUZAFFAR IQBAL	GLAXO WELLCOME
MR. S. SHAHID ALI	HUB POWER
MR. BARRY HALLAM	ICI
MR. HASAN IRFAN	PHILIPS
MR. S. SAIFUL ISLAM	SHELL

Minutes of the meeting held on 5th December 1997 were confirmed.

1. ENVIRONMENTAL STANDARDS COMMITTEE (ESC):

The Chairman briefed the members about the outcome of the last meeting of ESC also called the Shams Lakha Committee held at Islamabad on March 10, 1998. The decision taken in the meeting were considered positive and fruitful.

Three sets of papers were handed out at this meeting:

- i) Guidelines on Self Monitoring.
- ii) Pollution Charge.
- iii) Final approved NEQS.

All the above three documents were tabled at the meeting for Subcommittee's consideration.

At the meeting in Islamabad the FPCCI representative agreed to the draft proposals for the pollution charge. However, the rate incorporated in the draft was not accepted.

Chairman asked the Subcommittee members to go through the above three drafts. A copy of all the above three drafts will be sent to all Subcommittee members who could not attend this meeting.

The ESC (Shams Lakha Committee) also discussed the formation of Provincial Environmental Trust Funds (PETF) to manage funds that will be collected as pollution charge from the industries. However, it was pointed out that the Environmental Protection Act does not provide for the creation of such a fund. Mr. Zahid Hamid (Member of ESC and a lawyer) was requested to come forward with alternate suggestions to ensure that funds so collected are used for environmental purposes and are not lost to a central pool.

The Chairman informed the meeting that as soon as the official minutes of the ESC meeting in Islamabad are available these will be circulated.

The Chairman further advised that the ESC (Shams Lakha Committee) has formed a Working Group to suggest reasonable rate of pollution charge. The Working Group thus formed has been advised to complete its deliberation within forty five days effective from 10th of March 1998. It was proposed that the imposition of fine and penalties etc, to be deferred till 1st January 1999 while self monitoring be made effective from 1st July 1998.

2. LIST OF EXPERTS:

In response to the Chamber's circular, twenty member companies have given the names of their personnel looking after the aspects of ENVIRONMENTAL science in their respective organization. All those who responded shall receive a complete list of names with telephone numbers. It is expected that the specialists will network with each other. The Chamber is considering holding a meeting to formally kick off the inter action.

With no other points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

3rd August 1998

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON TUESDAY 28TH JULY, 1998 AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICALS
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
- REP BY MR. SOHAIL YAMIN		
MR. SHAH M. SAAD HUSSAIN		BHP MINERALS
CAPT. (RETD) N. A. FAROOQUI		CALTEX OIL
DR. M. A. KHOWAJA		CLARIANT
MR. NASIM UL HAQUE		MERCK SHARP & DOHME

LEAVE OF ABSENCE :

MR. JAVED AKBAR	ENGRO CHEMICAL
DR. MUZAFFAR IQBAL	GLAXO WELLCOME
MR. PERWAIZ H. KHAN	LEVER BROTHERS

28th July 1998 At 3 PM Standing Sub Committee for Environment

Minutes of the meeting held on Tuesday 24th March, 1998 were confirmed.

Chairman welcomed Members to the new Sub Committee. After formal introduction of the members, he gave an overview of the activities of the Standing Sub Committee on Environment during the part year. He also described the developments that have meanwhile taken place in the Environmental Standard Committee (Shams Lakha Committee). Next meeting of the Committee has been called for on 6th August, 1998 wherein the Committee is expected to endorse its recommendation for Self Monitoring and Reporting, the proposal for determination of a Pollution Charge and revisions in the NEQS.

The Chairman in an overview covered the background which led to the proposal for pollution charge:

- Pollution charge and its background
- Basic principles followed
- Formula consideration
- Implementation mechanism
- Various proposals considered
- Parameters for liquid pollutants
- Parameters for gaseous pollutants

Mr. John B. Hallam, the Co-Chairman narrated his experience of Environmental problems faced in Taiwan (while he was posted there) and emphasized the need to take a practical / pragmatic approach in the implementation of national environmental programs.

Some suggestions from Mr. Hallam contained in a letter to Mr. Zaffar A. Khan was briefly reviewed. A copy of the letter is attached herewith for information.

Mr. Hallam also agreed for one of ICI's personnel to represent the chamber on the Experts Advisory Committee in place of Dr. Naveed who has since left the employment of Hub Power and was the previous nominee of the Chamber on EAC.

Mr. Sohail Yamin representing Abbott expressed his apprehension about the implementation of NEQS under the prevailing economic crisis in the country.

With no further points to discuss, the meeting ended with a vote of thanks to the Chair, and to meet again to discuss any particular matter developing in the near future.

**MOHAMMAD ASLAM
DEPUTY SECRETARY.**

24 July 98

Mr. Zaffar A Khan
Engro Chemical Pakistan Limited
PNSC Building
M T Khan Road
Karachi

Dear Zaffar

ENVIRONMENTAL POLLUTION

I thought it may be helpful to note my observations regarding environment pollution charge and self monitoring prior to our meeting on 28 July 98.

1. Pollution Charge Calculations

Methods to calculate gas flow appear complex and require many measurements therefore are likely to create practical difficulties. It would be simpler to relate to standard excess oxygen in the gas stream.

For Liquid effluents many countries have introduced a value factor which recognizes discharges in some industries are high as a result of the process technology. For example the paper industry uses large amounts of water and pollution levels may be low but costs high if charges are directly related to total value. A volume factor could recognize this so for example the value of 10000 cubic metres discharge per day could be factored so that cost is 50% greater than 1000 cubic metres.

Some industries have their own power generation within the industrial site. In assessing discharges for pollution charge this should be taken into consideration and the power plant assessed against NEWS for utility generation using furnace oil. It should not be assessed against the standards for the rest of the site which will be more onerous.

2. Monitoring, Testing, and Laboratories

For measurement to be credible it is essential to identify the standards and procedures for testing and analysis. These should preferably conform to International Standards. Considering self monitoring started 1 July 98 any measurements taken so far could be far from future requirements and misleading. What guidance is there for the small local companies who will not have expertise found in the larger and international companies.

Laboratory facilities will need to be audited against such standards and evidence of staff training and competence should be provided. An example of potential problem was seen when ICI recently carried out some site measurement and in parallel asked a laboratory to perform similar tests. There was a substantial difference between ICI results and those from the laboratory. However, when procedures and equipment were analyzed in detail there was a difference in the sample heating method. This helped explain the variance and it was established that the laboratory method was incorrect.

3. Implementation

Having made the rules do we know what thought is being given to the implementation so the objective to improve the environment can be achieved. Is the relevant administration in place and how will the 'Industry' and others be educated. For those companies who cannot do self monitoring and want outside help the facilities available to make this happen and will it be practical to implement. e.g. if there are 10,000 industries in Karachi and 10 tests per month are required for self monitoring i.e. 100K tests. Can the work load be managed and is all the equipment available.

For laws to be of value they need to be applied to all industries. It will be essential to avoid corruption. Are the dates of implementation practical because all the tools do not appear to be available.

Regards

Yours sincerely.

BARRY HALLAN

28th September 1998

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON ENVIRONMENT HELD ON 23rd SEPTEMBER, 1998 IN THE COUNCIL HALL OF THE CHAMBER

PRESENT :

MR. ZAFFAR A. KHAN	CHAIRMAN	ENGRO CHEMICALS
MR. JOHN B. HALLAM	CO-CHAIRMAN	ICI
MR. S. MUSHARRAF ALI		ABBOTT
DR. M. A. KHOWAJA		CLARIANT
MR. JAVED AKBAR		ENGRO CHEMICAL
DR. SAIFUL-MALOOK		GLAXO WELLCOME
MR. PERWAIZ H. KHAN		LEVER BROTHERS
DR. M. A. KHOWAJA		CLARIANT
MR. NASIM UL HAQUE		MERCK SHARP & DOHME

LEAVE OF ABSENCE :

MR. SHAH M. SAAD HUSSAIN	BHP MINERALS
CAPT. (RETD) N. A. FAROOQUI	CALTEX OIL
MR. HENK VAN ROEST	SHELL

Minutes of the last meeting, held on 28th July 1998, already circulated to the members, was considered, read and approved.

Mr. J. B. Hallam, Co-Chairman, referring to the last minutes proposed the name of Mr. M.Y. Qureshi, Corporate Safety & Environment Manager of ICI Pakistan Limited, based at Lahore, to represent OICC&I on Experts Advisory Committee on Rationalization of NEQS. The Deputy Secretary informed the Committee that a letter to this effect has already been issued to Dr. S.S. Tahir on 17th August 1998 with copy to Mr. M. Y. Qureshi for his information (copy attached).

The Chairman informed the members that the meeting of Shams Lakha Committee was held on schedule but minutes have not been issued as yet. A copy of the minutes will be forwarded to the members as soon as it is available.

The Co-Chairman expressed his concern about the slow speed and lack of enthusiasm in handling Environmental programmes by the Federal Government. Consequently, it is apprehended that the targetted date, given previously, may not be achieved and the programme may be delayed. OICC&I should however remain proactive to meet sudden awakening of the Government who may give very short notice to interact.

Mr. S. Musharraf Ali advised that all out efforts to be made by OICC&I to get the Testing Laboratories of the member companies be registered with the Government and necessary formalities in this respect be completed in every respect. At the same time the parameter and guide lines for the Inspectors visiting the factories be defined distinctively.

The Committee discussed the following Draft Report of Mr. Zahid Hamid of Environmental Standard Committee, at length:

- a) Provincial Development Fund (Utilization) Rule, 1998.
- b) Pollution Charge for Industry (Calculation & Collection) Rules, 1998.
- c) Provincial Sustainable Development Fund Board (Procedure) Rule, 1998.

After brief discussion members agreed to the proposal that the Chairman and Co-Chairman will sort out the comments on behalf of the Committee and will circulate to the members for their final approval/consent.

The Chairman emphasized the necessity of completing this task as early as possible.

With no further point to discuss, the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

17th August 1998

Dr. S. S. Tahir
Deputy Director (NEQS LABS)
Pakistan Environmental Protection Agency
Government of Pakistan
44-E, Office Towers, Blue Area
Islamabad

EXPERT ADVISORY COMMITTEE

Dear Dr. Tahir,

Dr. Naveed Ahmad who has been representing this Chamber on Expert Advisory Committee has since left Hubco Pakistan Ltd., where he was employed. This Chamber's Standing Subcommittee on ENVIRONMENT has therefore recommended MR. M.Y. Qureshi of ICI as his replacement. Mr. M. Y. Qureshi is the Corporate Safety & Environment Manager of ICI and possess varied experience in Environmental science and its application. His presence on the Committee shall be a useful contribution in achieving the desired objectives. Mr. Qureshi can be contacted at the following address:

Mr. M. Y. Qureshi
Corporate Safety & Environment Manager
ICI PAKISTAN LIMITED
ICI House, Mazang Road
Lahore.

Tel : 042 - 6370044
Fax 042 - 6370042

Yours sincerely,

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

- cc:
1. Mr. Barry Hallam
Executive Director
ICI Pakistan Ltd., Karachi. (Ref: letter dated 07-08-98)
 2. Mr. M. Y. Qureshi
Corporate Safety & Environment Manager
ICI Pakistan Ltd., ICI House, Mazang Road, Lahore.
 3. Mr. Zaffar A. Khan
President & Chief Executive
Engro Chemical Pakistan Ltd. Karachi.

28th May 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
INSURANCE HELD ON 25TH MAY, 1998 IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT :

MR. ZAKIR MAHMOOD	CHAIRMAN	CREDIT AGRICOLE INDOSUEZ
MR. MOIN M. FUDDA	CO-CHAIRMAN	COMMERCIAL UNION
MS. ZEHRA NAQVI)		CIGNA
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. JAVED IQBAL		PHILIPS
MS. FARZANA SIDDIQ		ROYAL INSURANCE

LEAVE OF ABSENCE :

MR. ALEEM A.DANI	GLAXO WELLCOME
MR. AHMAD SALAHUDDIN	ROYAL EXCHANGE

1. LAST MINUTES

Minutes of the last meeting held on 15th December, 1997, already circulated to the members previously were considered, read and accepted.

2. POINTS ARISING OUT OF LAST MINUTES

On Mr. Javed Iqbal's query Mr. Moin Fudda elucidated the present status of the Insurance Task Force, formulated by the Government, to the members present.

3. MR. MUJIB KHAN'S LETTER OF 30TH APRIL

The letter of Mr. Mujib Khan of New Hampshire Insurance Co. was discussed alongwith Muslim Commercial Bank's letter on "Revised Panel of banks Approved Insurance Companies". Based on the bilateral arrangement with their clients, the decision of the bank in this respect was considered as a matter of routine commercial nature. The general consensus of the members therefore was that Chamber should not be involved in this respect.

4. ANY OTHER MATTER

Considering this meeting to be the last meeting of the year 1997-98, the Chairman thanked the members for their cooperation and support during the year.

On behalf of the members Mr. Javed Iqbal thanked the Chairman and appreciated the Chairman's efforts to conduct the business of the Subcommittee.

With no other points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY.**

9th September, 1998.

**MINUTES OF THE MEETING OF CHAMBER'S STANDING
SUB-COMMITTEE ON INSURANCE HELD ON THURSDAY
27TH AUGUST, 1998 AT 3 PM IN THE CHAMBER'S PREMISES**

PRESENT:

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA INSURANCE
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. K. MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELCOME
MR. KURSHEED KOTWAL		LEVER BROTHERS
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
DR. MUMTAZ A. HASHMI		ROYAL & SUN ALLIANCE
MR. HASNAIN MOOCHALA		SHELL

LEAVE OF ABSENCE:

MR. FEROZ RIZVI ICI

The Chairman welcomed Members to the first meeting of the new Sub Committee.

Minutes of the last meeting of the outgoing Sub Committee held on 25th May, 1998 were confirmed.

After discussions it was agreed that following areas should be addressed by the Committee:

- a- Premium Tariffs
- b- Pakistan Insurance Regulatory Authority
- c- Customs Guarantees
- d- Withholding Tax under Section 50(3) of the Income Tax Ordinance 1979
- e- Delays in Remission of Surpluses
- f- Car Thefts

(a) Premium Tariff

Mr. Javed Iqbal raised the issue of high premium rates in Pakistan compared to other countries and asked what steps had been taken to safeguard customers' interests. It was explained that although the Insurance Association of Pakistan required all companies to abide by its tariff, it was practiced more in breach than in compliance. Dr. Hashmi stated that Motor, Fire, Marine and Workmen's Compensation were all tariff bound, but these were also inconsistently variable. Non-tariff insurances were few and far between. Non-compliance with tariff could land companies into trouble with re-insurers for breach of tariff. The Chamber should take up this issue with the Ministry of Commerce.

(b) Pakistan Regulatory Authority

The Chairman mentioned that the Insurance Act, 1938, was amended last in 1972. Since then, several Committees were constituted followed by setting up of The National Insurance Reform Commission in 1987. The Commission's report was never published. On July 31, 1997, a Task Force was set up by the Government of Pakistan, the majority of whose members were drawn from the private sector. It was headed by the Chief Executive of Adamjee Insurance.

The Minister of Commerce assured the members of Task Force that its recommendation would be implemented by December 1997. While the Task Force submitted its report within the time given to it, its report had been linked with the question of setting up Pakistan Insurance Regulatory Authority. Chairman further stated that the Asian Development Bank had, under the Capital Market Reforms package, appointed Messrs. Earnst & Young to undertake a study of the insurance industry in Pakistan with a view to assisting the Ministry of Commerce in drafting a new legislation and establishment of an Insurance Regulatory Authority. The consultants have started discussions with individuals as well as with various organizations, including the Insurance Association of Pakistan. The consensus of opinion at the Committee was that the Chamber should also present its viewpoints on various pertinent issues including the premium tariff mentioned above. Chairman to draft a letter to the Ministry of Commerce, a copy of which be endorsed to Messrs. Earnst & Young

(c) Custom Guarantee Matters

Mr. Moochala stated that the Collector of Customs had enlisted a couple of companies only for acceptance of guarantees. He suggested that for benefit of a large number of clients, foreign insurance companies should also make efforts to get themselves approved by the Collector of Customs. Dr. Hashmi said that financial guarantees were not considered insurance business. The Chairman observed that in the past the Collector of Customs had been unreasonable with reputable companies by exerting on them pressure for settlement of guarantees which were either cancelled or where clients had not dishonoured their commitments. Mr. Moochala stated that even bonded warehouse fire insurance policies were not being accepted by the Customs authorities, as they had black listed insurance companies for non-payment of customs guarantees. It was agreed that the Chamber should write to the Collector of Customs requesting him to accept such policies issued by its members. Chairman to draft a letter.

(d) Withholding Tax

The Chairman said that after five years of efforts, the withholding tax issues under Section 50 (3) of the Income Tax Ordinance were resolved through the Finance Act, 1995. However, unfortunately in the Federal Budget announced in May 1998, once again all payments to non-resident companies had been subjected to withholding tax. It was a serious matter for every insurance company since it affected their cash flow. Mr. Abdur Rahim, stated that he had attended a meeting recently called by the Insurance Association of Pakistan to address the issue. At that meeting it was agreed that a delegation comprising of some members of Insurance Association of Pakistan should approach the Central Board Revenue. Mr. Rahim requested to be provided with all the background material for this meeting enabling him to effectively project the viewpoint of non-resident companies. The Secretary General thereupon instantly provided all the required information. It was agreed that Mr. Abdur Rahim would report to the Sub-Committee on the outcome of the meeting. It was also agreed that the matter should be referred to the Taxation Sub-Committee of the Chamber.

(e) Delays in Remitting Surpluses

Mr. Ahmed Salahuddin mentioned that extraordinary delays were caused by the Controller of Insurance in processing surplus remittance applications. Chairman recalled that although in the past, the Chamber had brought up the matter before the Ministry of Commerce and the State Bank of Pakistan, it was not vigorously pursued. Member companies were individually handling their cases. The consensus at the meeting was that since all the companies were facing difficulties caused by delays, the Chamber should write to the Controller of Insurance. Mr. Ahmad Salahuddin agreed to draft a letter

(f) Car thefts.

Chairman and Dr. Hashmi were concerned over the accelerated incidence of vehicle thefts. Ms. Zehra Naqvi stated that regularization of smuggled cars had added to rise in that crime. It was agreed to send a letter to the Chief Minister of Sindh on escalation of car theft crime and slow recovery. Ms. Naqvi undertook to draft a letter.

Next meeting planned for end October, 1998. Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

17th September, 1998

**MINUTES OF THE MEETING OF INSURANCE COMPANIES
HELD ON TUESDAY 8th SEPTEMBER 1998 AT 3 PM
IN THE CHAMBER'S PREMISES**

PRESENT:

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
MR. FUAD A. HASHIMI	INVITATION	GESTETNER
MR. SOLI PAREKH	INVITATION	A.F. FERGUSON
MR. SYED KAZIM HASAN	INVITATION	COMMERCIAL UNION

LEAVE OF ABSENCE:

DR. MUMTAZ A. HASHMI	ROYAL & SUN ALLIANCE
MS. ZEHRA NAQVI	CIGNA INSURANCE

The Chairman welcomed the participants, specially Mr. Soli Parekh and Mr. Fuad Hashimi who had joined on special invitation.

The purpose of today's meeting was to inform the participant companies of the developments which have taken place in respect of Withholding Tax regime as applicable to non resident Insurance Companies.

Mr. Parekh informed the meeting that in the Finance Act of 1995, exemption from Withholding Tax was granted to all non resident companies.

The Finance Act of 1998 has now withdrawn this exemption. Insurance Companies can now approach the Income Tax Commissioner and seek reduced rate or zero Withholding Tax Deduction Certificate.

Chairman tabled a letter dated 31st August, 1998 from Mr. Abdur Rahim addressed to him in his capacity as Chairman of the Standing Sub Committee on Insurance. This letter included a copy of the minutes of the meeting held with Central Board of Revenue officials on 28th August 1998, in Islamabad. Mr. Syed Kazim Hasan's Note dated 4th September, 1998 on Tax charges was also tabled for consideration.

Mr. Hashmi stated that the Central Board of Revenue's Circular No. 4 of 1995 granting exemption from Withholding Tax outlined the conditions thereof and nothing had been changed to warrant its withdrawal. He also stated that a plea to the Central Board of Revenue should be made on behalf of all non resident companies and not just non resident insurance companies.

Mr. Soli Parekh said that in the prevailing circumstances Government, was of necessity, directing all its efforts on improving its resources. It might, therefore, not be considered conducive to its resource mobilization drive to grant exemption to all non-resident companies. Mr. Fudda recalled that as a result of efforts made by non-resident insurance companies, exemption had, in the past, been granted to all non-resident companies and not just non-resident insurance companies. Mr. Fudda emphasized that it was a matter of serious concern to non-resident insurance companies since they had to pay reinsurance premia and commission as also to settle claims. Besides, the non-resident insurance companies were discriminated against, as the local insurance companies were totally exempt from withholding tax under Section 50 (4) of the Income Tax Ordinance 1979. Mr. Hashmi supported this point of view and

suggested that a letter to Chairman, CBR be addressed by the Chairman, highlighting inconsistencies in Government policies and drawing his attention to the problems faced by foreign insurance companies.

It was agreed that a letter to the Chairman, Central Board of Revenue may be drafted jointly by Mr. Syed Kazim Hasan and Mr. Soli Parekh pointing out inconsistencies in the Government's policies and the discrimination against non resident insurance Companies. The President of the Chamber be requested to sign this letter. Thereafter, the matter may be followed up by a personal visit to the Central Board of Revenue.

Chairman mentioned that since Tax matters relating to insurance industry, require knowledge and experience in insurance, accounting and taxation law, it would be appreciated if a person from insurance sector is co-opted on the Taxation Sub Committee. He suggested the name of Mr. Kazim Hasan, Chief Manager (Finance & Administration), Commercial Union. The Committee unanimously agreed to it and requested the Chairman, Taxation Sub Committee to arrange to co-opt him.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

21st October 1998

**MINUTES OF THE MEETING OF INSURANCE COMPANIES
HELD ON TUESDAY 20th OCTOBER 1998 AT 3 PM IN THE
CHAMBER'S PREMISES**

PRESENT:

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA INSURANCE
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. K MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MASOOD AHMED		GLAXO WELLCOME
MR. FERAZ RIZVI		ICI
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE
DR. MUMTAZ A. HASHMI		ROYAL & SUN ALLIANCE

LEAVE OF ABSENCE:

MR. KHURSHEED KOTWAL	LEVER BROTHERS
MR. HASNAIN MOOCHALA	SHELL

1. CONFIRMATION OF MEETING

Minutes of the last two meetings held on 27th August and 8th September, 1998 already circulated to the Members were approved.

2. MATTERS ARISING OUT OF THE ABOVE MINUTES

Following matters pertaining to the Minutes of 27th August, 1998 meeting were discussed:

a) Premium Tariff & Pakistan Insurance Regulatory Authority

The Secretary General briefed the Members about the outcome of discussions held with Mr. James Smith of Messrs. Ernst & Young, the ADB Consultant on reforms of the Pakistan Insurance Industry. A list of topics for discussion forwarded by Consultant was tabled and is attached.

A meeting with the Consultant is proposed for Friday 23rd October, 1998. The Committee will have preparatory discussions on hour before this meeting is held. It was also agreed that Members representing the Insurance Companies of the Sub Committee shall meet on Wednesday 21st October, 1998 in the office of Mr. Ahmed Salahuddin to formulate the draft response to the questionnaire. Dr. Mumtaz Hashmi who was not present in the meeting, will be requested to join the discussions. Mr. Ahmed Salahuddin agreed to fax the draft response to the Chamber for circulation amongst the members by Thursday 22nd October, 1998. The Members representing the users of Insurance services will also study the questionnaire and brief the Committee about their views prior to meeting with the Consultant.

b) Customs Bonded Warehouses & Guarantees

Chamber's letter to the Controller of Customs on the subject of Customs Bonded Warehouses and Fire Perils has been dispatched.

c) Withholding Tax Under Section 50(3) of the Income Tax Ordinance, 1979

The Chairman acknowledged the President of the Chamber's support for drawing the attention of the Chairman, Central Board of Revenue on subject of Withholding Tax levied on Insurance Companies through his letter of 19th September, 1998. The Committee resolved that a Delegation of the members representing the Five Insurance Companies of the Committee along with the Secretary General to visit Islamabad to discuss the issue with the Chairman, Central Board of Revenue and express the hardship the Foreign Insurance Companies are facing in this respect.

d) Delay in Remittance of Surplus

The Committee decided to seek an interview with the Controller of Insurance at Islamabad and discuss the matter with him. Meanwhile the draft letter circulated earlier addressed to the Controller of Insurance on the subject may be issued.

Mr. Ahmed Salahuddin informed the meeting that the State Bank of Pakistan has directed that remittance of surpluses be done on composite rate of exchange. Questions were raised about what treatment would be given to remittance of Reinsurance premiums.

e) Car Theft

The Committee approved the draft letter addressed to the Chief Minister Sindh on Law and Order situation / Car snatching in Karachi. The letter to be issued.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

27th October 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE
ON INSURANCE HELD ON FRIDAY 23rd OCTOBER 1998 AT 10 AM IN THE
CHAMBER'S PREMISES**

PRESENT:

MR. MOIN M. FUDDA	CHAIRMAN	COMMERCIAL UNION
MR. JAVED IQBAL	CO-CHAIRMAN	PHILIPS
MS. ZEHRA NAQVI		CIGNA INSURANCE
MR. ABDUR RAHIM		COMMERCIAL UNION
MR. K MOAZZAM REHMAN		ENGRO CHEMICAL
MR. MUJIB KHAN		NEW HAMPSHIRE
MR. AHMED SALAHUDDIN		ROYAL EXCHANGE

LEAVE OF ABSENCE:

MR. MASOOD AHMED	GLAXO WELLCOME
MR. FERAZ RIZVI	ICI
MR. KHURSHEED KOTWAL	LEVER BROTHERS
MR. MUMTAZ A. HASHMI	ROYAL & SUN ALLIANCE
MR. HASNAIN MOOCHALA	SHELL

Minutes of the last meeting held on 20th October, were confirmed.

Chairman mentioned that today's meeting has been called to develop consensus amongst the Committee Members on discussion topics which should be taken up with Mr. Peter Gaydon and Mr. James A. Smith both of Ernst & Young, Sydney, Australia, who have been invited to meet the Committee later today at 11: AM. The committee was informed that Ernst & Young have been appointed as Consultants at the behest of Asian Development Bank to assist the government of Pakistan, and have commenced assignment since August, 1997.

It is believed that Ernst & Young have prepared a blue print for the Pakistan Insurance Regulatory Authority (PIRA) and a draft bill is ready for introduction to the Parliament. The scope of work of the Consultants, apart from creating the Regulatory Authority, is also to recommend and review the changes in the Insurance Act, 1938 and other Insurance Industry related matters.

Responses to the Questionnaire circulated earlier have been prepared by the Task Force consisting of Mr. Abdur Rahim, Mr. Mujib Khan, Ms. Zehra Naqvi and Mr. Ahmed Salahuddin and these were tabled for discussion amongst the Committee Members, and necessary changes were agreed.

Later the visitors were invited to the meeting and all major issues were covered in the discussion. It was agreed that a formal written response to the Questionnaire be sent to Ernst & Young. The attached reply has been formulated by Mr. Ahmed Salahuddin and approved by Mr. Moin Fudda, and will be sent to Mr. James A. Smith of Ernst & Young.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

Reforms of Pakistan Insurance Industry Discussion Topics

1. General Matters

- 1.1 Which activities constitute insurance and therefore should be regulated by PIRA? Life insurance, Non-Life insurance, Reinsurance, Health insurance. Are there other activities which may not be strictly insurance which you believe should be regulated by PIRA?

The Insurance Act 1938 has clearly defined the scope of Insurance business in Pakistan. This includes Life Insurance, Non Life Insurance, Reinsurance & Health insurance. However reinsurance needs to be clearly defined and incorporated in the Act.

- 1.2 Who should be permitted to be an insurer? E.g. should it be restricted to Joint - stock Companies, Public Companies. What about branches of foreign entities, mutual insurance organisations etc.?

As defined in the Insurance Act.

2. Capital and Solvency Issues

- 2.1 What should be the minimum paid- up capital requirement for insurance companies carrying on each type of business, and why do you support that level. If so, what should that level be (for each type of business) and why?

The minimum equity requirement should be as follow:-

General Insurance

Rs.100,000,000.00 existing companies to raise their capital to this level within five years @ 20% per year.

Life Insurance

R.300,000,000.00 existing Companies to raise to this level within five years @ 20% per year.

The current levels are found too low. The higher amount will discourage fly by night companies and is in the interest of consumers as well.

The above amounts are recommended keeping in view the currency value of our country and overall country's economy. As recommended by the task force, a provision must be made in Law to provide for time to time revision in the above amounts.

- 2.2 What, if any should be the level of statutory deposits required of insurance companies, and why do you support that level

The recommended statutory deposit should be maintained at 10 % of paid up capital as recommended by the task force. The above is recommended keeping in view the present market and would still require a substantial outlay on the part of our members.

- 2.3 What should be the minimum solvency requirements of insurance companies for life insurer and non-life insurers, and why do support that level? Should solvency requirements for reinsurance be different?

As suggested by the task force the solvency margin recommended is as follows:

- (a) For new General Insurance Companies
Every insurer shall have assets invested in Pakistan exceeding his liability by at least a sum of Rs.5 million or 10% of the net premium income, whichever is the higher.
- (b) For existing general Insurance Companies
The existing general Insurance Companies having solvency margin less than Rs.15 million should make the shortfall good within 5 years @ 20% each year.
- (c) For Life Insurance Companies
The Government may consider the issue separately.
- (d) A provision be made as in the case of capital adequacy, to empower the Federal Government to review solvency margin from time to time and to specify the same through Notification.

Solvency Margin for reinsurance companies should receive separate treatment. The level would depend upon the capital requirements as prescribed.

- 2.4 Do you believe that solvency requirements should take into account planned/ expected business expansions ? If so, what mechanism would you support to reflect this?

Yes, the solvency requirements should take into account planned / expected business expansions. The present Insurance Act provides for this under section 27-A. However the implementation is poor.

- 2.5 Are there assets which you believe should not count, or should count only partially, for solvency / capital adequacy assessment?

Doubtful assets should be identified and should not be counted for solvency / capital adequacy assessment.

- 2.6 Are there liabilities, contingent liabilities or commitments which you believe should be taken into account in determining solvency levels, though they are currently only disclosed by way of note to the balance sheet? For example: claims incurred but not reported, guarantees given, underinsured exposures.

Yes, all liabilities need to be disclosed and provided for, and these should be considered in determining solvency margins.

- 2.7 Do you support the concept of a guarantee fund, to protect policyholder's interests in the event an insurer is unable to meet its liabilities? If yes, how should such a fund be built up?

The FIF and CED collected be set aside by the government for the purpose of this fund

3. Company Administration

- 3.1 Should takeovers and mergers of insurance companies be subject to approval by PIRA?

The Insurance Act provides for takeovers and mergers and this provision is adequate.

- 3.2 Should PIRA be required to approve directors of insurers as fit and proper and appropriately qualified persons for the role?

The statute should clearly lay down certain minimum qualification and experience in finance / industry as a pre-requisite to appointment of the principal officer.

- 3.3 Should PIRA maintain a list of approved auditors considered appropriately qualified to act as auditors of insurers?

There is no need for such a provision.

4. Matters Specific to Life Insurance.

This section is being left unanswered.

5. Matters Specific to Non-Life Insurance

- 5.1 Should payment of premium be a condition precedent of the attachment of insurance risk? If so, do you support flexibility in this principle to permit the payment of premiums by installments?

Yes, payment of premium should be a condition precedent of the attachment of insurance risk. This has also been recommended by the task force. We do, however, support flexibility in this principle to permit advance payment of premiums by installments.

- 5.2 Should PIRA be required to approve reinsurance arrangements of non-life insurance companies?

The Insurance Act lays down this requirement and no amendment to this requirement is recommended.

- 5.3 Do you support the continuation of the statutory cession (20%) and surplus (25%) compulsorily offered to PIC?

We do not support the continuation of the existing statutory cession (20%) and surplus (35%) compulsory offer to PIC. Any reinsurance arrangement with PIC needs to be worked on the basis of mutual agreement.

- 5.4 Do you support the continuing existence of the Claims Settlement Board? What changes, if any, would you recommend to its operations?

We support the continuing existence of the Claims Settlement Board with amendments as recommended by the task force.

- 5.5 Do you support the abolition, partial abolition or retention of tariff rates? Why?

We support the abolition of tariff.

6. Financial Reporting

- 6.1 Do you believe that insurers are capable of providing reliable quarterly information to PIRA, to enable it to monitor the maintenance of solvency? What would be a reasonable time frame for such reporting?

In view of the small size of the total market, we recommend the existing practice of Annual returns to be continued.

- 6.2 Do you support the development of accounting standards for such aspect of insurance accounting and reporting where international accounting standards do not provide guidance?

Aspects of Accounts not falling within international standards need to be identified, thereafter we will be in a position to comment.

- 6.3 Should solvency be assessed on a present value/market value basis, as opposed to an undiscounted/historic cost basis?

Yes, solvency should be assessed on present market value.

7. Market Conduct

- 7.1 Insurance is traditionally a contract of utmost good faith. Do you believe that the insurance market generally operate to ensure utmost good faith on the part of insurers and insured? If not, what measures would you recommend to prevent malpractice?

In Pakistan, like elsewhere in the world, Utmost Good Faith is one of the principles of contracts of Insurance. Related to utmost good faith is the issue of 'duty of disclosure'. Matters of common (public) knowledge do not require specific disclosure. Since the size of our market is small, most issues related to significant risks in our market are common knowledge, within the Insurance Industry, and as such the decision to assume the risk or otherwise is a matter of prudence for the individual Insurance Company. We do not feel the need for any new regulation for this purpose.

- 7.2 Do you support the development of standard policies of insurance, which could only be departed from by insurers if the insured was given specific, written notice?

The Insurance Act provides for filing of policy terms and conditions and IAP files standard wording with the Controller. Any wording not standardized are required to be filed with the Controller's office and we recommend that the practice be continued.

- 7.3 What measures would you recommend for insurers to adopt to deal with the special requirements of insured who are not literate?

In general insurance, the percentage of illiterate insured is close to 'nil', nonetheless, this matter can be handled through regulating the intermediaries.

- 7.4 What restrictions, if any, do you support on the ability of insurance companies to cancel or avoid insurance policies?

The present policy terms are in keeping with international practice, we do not recommend any restrictions in this respect.

8. Insurance Intermediaries

- 8.1 Agents are currently licensed by the Controller of Insurance. Do you support the continuation of this situation, or do you believe that insurers should be responsible for the conduct of their agents, under general agency law?

We support the present agency licensing system. As recommended by the task force, some minimum qualification should be a pre-requisite for obtaining agency license.

Insurers would be responsible for the conduct of the agents if it is established, that in the execution of the contract, the agents acted as representatives of the insurer. This provision is as per contract law.

- 8.2 Would you support a proposal for compulsory disclosure to the insured of commissions paid to agents?

We strongly recommend that agency commission be disclosed to the insured.

- 8.3 Do you support the creation of an insurance broking profession in Pakistan?
If yes, how would you wish this to be regulated?

Although the current Insurance Act does not have any provision of establishing brokerage houses, however there have been developments in the market whereby some large International Insurance brokerage houses have established their representative offices here. In view of these developments there is a need to develop a regulatory framework in line with international practice.

9. Surveyors and Loss Adjusters

- 9.1 Do you believe it appropriate for all surveyors or loss adjusters to be licenced by PIRA?

The present Insurance Act provides for licensing of Surveyors and we recommend, this be maintained. This issue has been addressed in detail by the task force and we agree with their recommendation.

- 9.2 Should experts other than surveyors be permitted to provide opinions on losses?

Licensed surveyors may incorporate expert opinion, wherever they deem necessary, as part of their survey report.

- 9.3 Should insurance companies be required to appoint external loss adjusters in all cases?

The Insurance Act clearly states the limits beyond which surveyors must be appointed. The task force has suggested revision in these limits and we recommend that the amounts suggested by the task force be further revised upwards.

10. State Insurance Companies

- 10.1 Should PIRA be empowered to regulate the activities of insurers owned or controlled by the State (PIC, NIC, SLIC, Postal Life)?

We recommend privatization of the nationalized companies. In the interim period all state owned companies (PIC, NIC, SLIC and Postal Life) must be within the purview of PIRA.

- 10.2 Should NIC be permitted to underwrite business in the general market?

Yes.

- 10.3 Should private sector insurers be permitted to compete against NIC for public sector business? If so, what is the justification?

Yes.

11. Other Issues

- 11.1 Should export credit insurance continue to be provided by the State insurance sector in Pakistan?

See 10.1 above

- 11.2 Should social security insurance be obtainable from private sector companies?

Yes.

11.3 What channels are available to Pakistan insurance companies for the education of their personnel - i.e. Chartered Insurance Institute courses, university or college courses?

- (i) Karachi University is offering a Master degree in Commerce with specialization in Insurance.
- (ii) Pakistan Insurance Institute Conducts Diploma Classes recognized by the Sind Board of Technical Education.
- (iii) Pakistan Insurance Institute conducts examinations on behalf of Chartered Insurance Institute, London.
- (iv) ECO College of Insurance in Iran provides B. S. degree in Insurance.

11.4 What information is available to Pakistan insurance companies on matters such as natural hazards and aggregate exposures?

Data on natural hazards is maintained by meteorology department and can be obtained by the Insurance Industry. The IAP obtains data on catastrophe exposures from its members on a quarterly basis.

11.5 What opportunities do you see in Pakistan for the provision of health insurance?

What restrictions should be placed on such business?

Pakistan's health insurance opportunity is at the moment untapped. We feel there is a tremendous scope in this field. No specific restrictions are required and this business should be carried out within the framework of the Insurance Act.

11.6 Please indicate any other matters which you believe should be raised and your views on these.

- (i) Banking and Insurance are inherent part of Financial Sector of the country. Whereas, Banking sector in Pakistan has developed over the years, Insurance has not developed at the same pace. A number of our members have been facing serious problems vis a vis the Nationalized Banks and DFIS. We recommend that a forum be established to facilitate smooth running of the financial sector, thereby contributing towards healthy growth of the economy. Moreover State Bank of Pakistan's regulations should be amended to encourage Bancassurance to enhance insurance awareness and improve national savings.
- (ii) Issuance of Foreign Currency policies in General and Life should be permitted by State Bank of Pakistan.
- (iii) Remittance of surplus fund by Foreign Insurers have been delayed and needs streamlining.
- (iv) Distribution of surplus under unit linked policies require amendment in Insurance Act.

Withholding Tax on payment of premium to Foreign Insurers under Section 50 (3) is discriminatory to Foreign Companies and should be removed.

30th September 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON LABOUR
HELD ON 17TH SEPTEMBER , 1998 AT 9 AM IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT

MR. KAMRAN Y. MIRZA	CHAIRMAN	ABBOTT
MR. ISHAQUE H. HASHMI		ABBOTT
MR. SHAHID QURESHI		GLAXO WELLCOME
MR. KHALID B. OSMANY		ICI
MR. ZAFAR MANNAN		INDUS MOTOR
MR. HAROON WAHEED		LEVER BROTHERS
MR. DINYAR DUBASH		MASHREQBANK PSC
MR. JALEES A. SIDDIQI		PHILIPS
PROF. M. MATIN KHAN		BARRETT HODGSON

LEAVE OF ABSENCE

MR. H. A. ATHAR	CALTEX OIL
MR. SALIM AZHAR	ENGRO CHEMICAL
MR. RASHID AHMED	SHELL

1. The Chairman welcomed new members to the Committee. After brief introduction of the members, he reviewed the activities of the Committee during the last year. Major issues relating to the Federal Government, the Chairman pointed out, were documented and sent to the Federal Labour Minister.

Mr. K. B. Osmany of ICI said that instead of thrusting all the points at a time to the Government for action, they should be prioritized. It was agreed that Mr. Osmany would prioritize the issues for consideration of the Committee and the Chairman.

On the suggestion of identifying appropriate individual in Islamabad, Mr. Haroon Waheed of Lever Brothers suggested that, besides others, Chamber should approach Mr. Shabbir Jamal who is the Principal Adviser of Labour in the Federal Ministry. He should be contacted and preferably be invited to the Chamber for exchange of views with the members. Mr. Moin Siddiqui, Joint Secretary in the Federal Ministry of Labour was also identified as a key person.

2. The Committee was informed that not all members are paying Cost of Living Allowance of Rs. 300/= as per Government Notification SRO 606(I)/98 dated 6th June, 1998. Mr. Haroon Waheed of Lever Brothers to provide a brief write up on the subject to the Committee and to share with the members, the legal view of payment of COLA to all employees.
3. Since the matters mentioned in Abbott laboratories letter dated 10th June 1998 have been resolved, no further action is necessitated now.
4. Chamber's dilemma to continue the Membership of Employers Federation was discussed, but left open for further debate. Mr. Osmany to write "pros & cons" of maintaining Membership for consideration of the Committee.

5. The impracticability of payment of wages to workers and other petty cash payment under Finance Act, 1998, mentioned in the letter of Reckitt & Colman dated 21st July, has since been resolved by the Government. Mr. Haroon Waheed offered to draft a letter on the conflict of the Finance Act, 1998 with the Payment of Wages Act.
6. With no other points to discuss the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

29th September, 1998

**MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR
PORTS, SHIPPING & COMMUNICATIONS HELD ON
TUESDAY 22ND SEPTEMBER 1998 AT 3 PM IN THE CHAMBER PREMISES**

PRESENT

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. HENK VAN ROEST	CO-CHAIRMAN	SHELL
MR. NADEEM JAFFERY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICAL
MR. G. H. CHOUDHRY		LEVER BROTHERS

LEAVE OF ABSENCE

MR. S. H. A. BUKHARI	P&O
MR. B. SAEED	SIEMENS
MR. FAROOQ HASAN	PAKTEL

1. The Chairman welcomed the Committee members to the meeting and gave a brief review of the activities of the Committee in the past year.
2. Chairman invited the members to raise points, which in their opinion the Committee should pursue with relevant authorities

- Mr. G. H. Choudhry explained the difficulties Lever Brothers face in clearance of their import of bulk liquid of sulfuric acid from KPT. Mr. Choudhry was advised to contact Engro Chemical in this respect who have facilities at Port Qasim to handle this commodity.
- Mr. H. V. Roest, the Co-Chairman said that at present 4.5 million tons of HSD (High Speed Diesel) is pumped through the PARCO pipe from Korangi to Mahmood Kot and from there partly onward through a spur to Machike.

This pipeline will be converted to pump crude and a few months before the PARCO Refinery will come on stream, by late 2000 to 2001.

According to the present situation there is no apparent plan to build a "replacement" white oil pipeline. In the opinion of experts, there is no hope that this pipeline can be completed in time.

Consequently

- either the PARCO Refinery will have to be mothballed until such time the second pipe line is completed (not very likely) or,
- the country will face huge problems to supply fuel oil to the Punjab and upward.

OICC&I should at a suitable level, draw the attention of concerned authorities to this alarming situation.

- Members also expressed their concern about:-
 - (a) The dilapidated condition of Roads in KPT Keamhari area around oil storage and bulk tanks.
 - (b) Open trenches of pipelines which must be properly covered to avoid accidental fire and also pilferage of oil from exposed pipelines.
 - (c) The inadequate provision of fire fighting arrangements, in case the exposed pipeline are ignited by accident or subversive activity. Fire fighting arrangement needs to be improved.

Suggested that Chamber should draw attention of the concerned authorities in these respects. Mr. Nadeem Jaffery volunteered to summarize problems and recommendation for the Chairman to write letters on behalf of the Chamber.

- Mr. Shahid A. Hakim expressed the necessity of having adequate banking facilities in Port Qasim area.
 - Due to very tight security arrangement at Port Qasim area members, foreign visitors who wish to see port facilities at short notice are unable to do so.
3. The Chairman appraised the Committee about following program of KPT in hand towards extending further facilities to the port users:-
- KPT is in final stages of acquiring two harbor Tugs costing US\$ 8.2 million
 - Contracts for acquiring hopper barges have already been awarded to private sector on BOT basis. This would enable the port to dredge and deepen the navigational channel.
 - Permission to purchase Pilot Boats is in the process of approval by the Central Government.
 - World Bank has presently granted 7 million US\$ loan for Golden HandShake program to reduce the number of DockWorkers and thus bring about an economy in the cargo handling cost.
4. Members agreed to hold the Committee meeting every month regularly. Any point arising in between can be forwarded to OICC&I Secretariat or to the Chairman to include in the next agenda of the meeting.

Next meeting to be held on 13th October 1998 at 3.30 PM in the Chamber's premises.

The meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

16th October 1998

**MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR
PORTS, SHIPPING & COMMUNICATIONS HELD ON
TUESDAY 13th OCTOBER 1998 AT 3.30 PM IN THE CHAMBER'S PREMISES**

PRESENT

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. HENK VAN ROEST	CO-CHAIRMAN	SHELL
MR. NADEEM JAFFERY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICAL
MR. G. H. CHOUDHRY		LEVER BROTHERS
MR. S. H. A. BUKHARI		P&O
- REP BY MR. Q. M. HASSAN		
MR. B. SAEED		SIEMENS

LEAVE OF ABSENCE

MR. FAROOQ HASAN	PAKTEL
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3. The Minutes of the last Meeting held on 22nd September, 1998 already circulated to the Members, was considered, read and approved.

4. MATTERS ARISING OUT OF THE LAST MINUTES

- The Committee once again highlighted the necessity of undertaking the project of laying the independent pipeline to pump crude HSD from Korangi to Mahmood Kot, without any further delay.
- The Chairman informed the Committee Members that although there is a Branch of National Bank of Pakistan existing in the Administrative Block of Port Qasim, yet there is need of having another Branch, closer to the Customs areas. Port Qasim Authority are aware of the difficulties, and will open a new Branch shortly.
- On the issue of streamlining the issue of Port Entry Passes for Visitors in the Port Qasim area, it was decided that the President of the Chamber will take up this matter with PQA.
- Chairman offered to follow up Chamber's letter dated 2nd October, 1998 with the concerned authorities at Karachi Port Trust about the dilapidated condition of open pipeline trenches in KPT area. The KPT may be requested to clean the trenches and consider colour coding the pipelines to identify them.

5. OTHER MATTERS

The Chairman appraised the Members about the Container Terminal facilities presently available at KPT and Port Qasim, and about the projects in hand in this respect. Container Terminal at East Wharf Berths Nos. 5 to 10 are under construction and will be ready by January / February, 1999. Plan for the construction of second terminal at Berth Nos. 6 to 9 are at hand.

Karachi International Container Terminal (owned by American President Lines) is expected to commence on trial basis soon. Two of the three gantry cranes have been installed.

Shipping Companies are in difficulty due to the backlog of remittances for freight payment, to the tune of U.S. \$ 15 Million. State Bank of Pakistan has to processed any application after 15th July, 1998. It was agreed that the Chairman, Chamber's Standing Sub Committee on Banking & Finance be made aware of this problem.

6. NEXT MEETING

The Committee shall meet next on Tuesday 17th November, 1998 at 3 PM in the Chamber's premises.

As there were no other points to discuss, the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

19th October 1998

CHAMBER'S STANDING SUB COMMITTEE FOR PORTS, SHIPPING & COMMUNICATIONS

MR. M. MOONIS	CHAIRMAN	UNITED LINER
MR. HENK VAN ROEST	CO-CHAIRMAN	SHELL
MR. NADEEM JAFFERY		CALTEX
MR. SHAHID A. HAKIM		ENGRO CHEMICAL
MR. G. H. CHOUDHRY		LEVER BROTHERS
MR. S. H. A. BUKHARI		P&O
MR. B. SAEED		SIEMENS
MR. FAROOQ HASAN		PAKTEL

A M E N D M E N T

MINUTES OF THE MEETING OF THE CHAMBER'S STANDING SUB COMMITTEE FOR PORTS, SHIPPING & COMMUNICATIONS HELD ON TUESDAY 13th OCTOBER 1998 AT 3.30 PM IN THE CHAMBER'S PREMISES

Kindly refer to the above Minutes faxed to you on 16th October, 1998.

As some changes have been suggested by Mr. M. Moonis, please replace the text below with Page No. 2 previously sent to you.

Inconvenience caused to you in this regard is regretted.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

- On the issue of streamlining the issue of Port Entry Passes for Visitors in the Port Qasim area, it was decided that the President of the Chamber will take up this matter with PQA.
- Chairman offered to follow up Chamber's letter dated 2nd October, 1998 with the concerned authorities at Karachi Port Trust about the dilapidated condition of open pipeline trenches in KPT area. The KPT may be requested to clean the trenches and consider colour coding the pipelines to identify them.

7. OTHER MATTERS

The Chairman appraised the Members about the Container Terminal facilities presently available at KPT and Port Qasim, and about the projects in hand in this respect. East Wharf Berths Nos. 5 to 10 are under construction and will be ready by January / February, 1999. Plan for the construction of second terminal at Berth Nos. 6 to 9 are at hand.

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8. NEXT MEETING

The Committee shall meet next on Tuesday 17th November, 1998 at 3 PM in the Chamber's premises.

As there were no other points to discuss, the meeting ended with a vote of thanks to the Chair.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

22nd JANUARY 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
TAXATION HELD ON TUESDAY 13TH JANUARY 1998
AT 11 AM IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT

MR. F.A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. FEROZE COWASJI		SHELL

LEAVE OF ABSENCE

MR. PERVEZ GHIAS	ENGRO CHEMICAL
MR. ALEEM A. DANI	GLAXO WELLCOME
MR. MUNAF LAKDA	PHILIPS

Minutes of the last meeting held on 4th December, 1997 already circulated to Members was considered read and approved.

The Committee reviewed the Summary dated 12th January, 1998 of the Group Leaders recommendations based on the suggestions received from Member Companies pertaining to their respective groups with the recommendations of the Tobacco Group, Trading & Services Group and Mr. Vazir's Group which were tabled at the meeting.

The Committee noted that nothing had been received from the Oil, Gas & Energy Group and Engineering & Industrial Products Group.

It was agreed that the summary prepared on 12th January, 1998 would be updated by incorporating the remainder submissions and circulated along with the Minutes of this meeting.

After brief discussions, following matters were considered by the Committee relating to Federal Budget proposals for 1998 - 99. These recommendations should be brought to the notice of the Chairman, Central Board of Revenue at the time of his proposed visit to the Chamber.

1. EXCISE DUTY & SALES TAX

- The Committee recommends that the Government should be urged to consult OICC&I before making any attempt to merge Sales Tax and Excise Duty.
- Levy of Sales Tax at intermediary stage (when product is not sold) should not be imposed.
- Levy of Sales Tax in all cases to be on "advalorem" basis and not on "capacity" basis. Multiple point levy of Sales Tax be withdrawn and Capacity Tax System to be abolished.

Mr. Tasleemuddin Batlay was requested to provide a summary of all Sales Tax and Excise Duty matters.

2. INCOME TAX & WEALTH TAX RELATED ISSUES

Mr. Aziz Vazir was requested to summarize all matters relating to Income Tax and Wealth Tax.

3. CUSTOMS DUTIES

Mr. Feroze Cowasji was requested to prepare a summary on the significant issues relating to Customs Duties.

4. OTHER ISSUES

Following general issues to be taken up by the President in his address to the Chairman, Central Board of Revenue.

- Net protection to local industries
- Overtaxing industries frightens away foreign investors (e.g. cellular phones).
- Octroi and local taxes to be continued on the basis of WEIGHT instead of VALUE.

5. NEXT MEETING

Members to meet again on Thursday 5th February, 1998 at 3.30 PM.

With no other points to discuss, the meeting ended with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

6th February 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON
TAXATION HELD ON TUESDAY 4TH FEBRUARY 1998
AT 3 PM IN THE COUNCIL HALL OF THE CHAMBER**

PRESENT

MR. F.A. HASHIMI
MR. AZIZ A. VAZIR
MR. ASIF SINDHU
MR. PERVEZ GHAS
MR. SHAMIM H. KHAN
MS. FARAH QURESHI
MR. MUNAF LAKDA
MR. FEROUZE COWASJI

CHAIRMAN
CO-CHAIRMAN

GESTETNER
ROCHE
ANZ GRINDLAYS
ENGRO CHEMICAL
LEVER BROTHERS
MACKINNON, MACKENZIE
PHILIPS
SHELL

LEAVE OF ABSENCE

MR. ALEEM A. DANI
MR. TASLEEMUDDIN A. BATLAY

GLAXO WELLCOME
LAKSON TOBACCO

The Chairman welcomed the new member, Mr. Shamim H. Khan (Lever Brothers) who replaces Mr. Farooq Nazir.

Minutes of the meeting held on Tuesday 13th January, 1998 were confirmed.

MATTERS ARISING OUT OF THE LAST MINUTES :

Mr. Cowasji tabled recommendations on behalf of the Oil & Energy Group. These primarily related to Customs Duty on Petroleum products.

On behalf of the Engineering Group, Mr. Lakda stated that all issues relating to his group have been covered in the summary circulated along with the Minutes of the meeting held on 13th January, 1998. He however pointed out that Sales Tax at retail stage, amounted to additional burden for those who have suffered Sales Tax at manufacturing stage. The Chairman advised that there is provision in the law for adjustment.

Memorandum on transfer prices forwarded by Mr. Kamran Mirza (prepared by Mr. Nasim Hyder) was tabled for discussions. Mr. Vazir agreed to review this and incorporate suitable clauses in his memorandum on Income Tax matters.

It was agreed and the Chairman suggested that the Chamber's proposals be finalized on the basis of:

- a) Note prepared by Mr. Tasleemuddin Batlay dated 14th January, 1998 on Sales Tax & Excise Duty matters.
- b) Note prepared by Mr. Aziz Vazir on Income Tax (Corporate & Personnel) and Wealth Tax matters.
- c) Note prepared by Mr. Feroze Cowasji on Customs Duty relating to Petroleum products.

Secretary General to consolidate these recommendations and solicit Managing Committee endorsement.

Meeting closed with a vote of thanks to the Chair.

**ZAHID ZAHEER
SECRETARY GENERAL**

27th April 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION
HELD ON FRIDAY 24TH APRIL 1998
AT 10.30 AM IN OICC&I**

PRESENT

MR. F.A. HASHIMI	CHAIRMAN	GESTETNER
MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. SHAMIM HASSAN KHAN		LEVER BROTHERS
MR. MUNAF LAKDA	PHILIPS	

PRESENT BY INVITATION

MR. MOHAMMAD Z. A. SYED	HINOPAK
MR. MUNNAWAR HAMID	ICI
MR. PHILLIPE BOVAY	PROCTER & GAMBLE
MR. WAQI MUNIM	PROCTER & GAMBLE
MR. SAAD AMANULLAH	PROCTER & GAMBLE

LEAVE OF ABSENCE

MR. ASIF SINDHU	ANZ GRINDLAYS
MR. PERVEZ GHIAS	ENGRO CHEMICAL
MR. ALEEM A. DANI	GLAXO WELLCOME
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MS. FARAH QURESHI	MACKINNON, MACKENZIE
MR. FEROZE COWASJI	SHELL

The Chairman welcomed members, and said that today's meeting has a single point agenda, to consider additional proposals received from the following companies, after the budget proposals had been finalized:

(i)	ICI Pakistan Limited	12-03-98
(ii)	Muller & Phipps Pakistan (Private) Limited	10-03-98
(iii)	Knoll Pharmaceuticals Limited	10-03-98
(iv)	Procter & Gamble Pakistan (Private) Limited	09-03-98 & 12-04-98
(v)	Reckitt & Colman of Pakistan Limited	19-03-98
(vi)	Hinopak Motors Limited	17-03-98
(vii)	CPC Rafhan Limited	13-04-98
(viii)	Gestetner (Private) Limited	17-04-98

Chairman regretted that the earlier meeting called for on 20th April 1998 had to be postponed due to non-availability of most of the members on this day.

Chairman gave a review of the meeting held with Chairman, Central Board of Revenue in Karachi, the minutes of which have already been circulated.

Chairman then invited Procter & Gamble to advocate their proposals which related to the Presumptive Tax regime.

After considerable discussions, it was agreed that a Working Group consisting of Procter & Gamble, Mr. Aziz A. Vazir and Mr. F. A. Hashimi, would finalize an addendum, which will be sent to the Chairman, Central Board of Revenue to supplement Chamber's earlier proposals.

The issue of Sales Tax raised by Gestetner in their letter of 17th April 1998 and supported by Philips was considered. It was agreed to add the following to the recommendations made to the Central Board of Revenue.

Quote

SALES TAX ON IMPORTED GOODS/C.B.U's

It is being proposed that for all imported goods, Sales Tax paid at import stage should be considered as final liability until such time that GST, other than fixed Sales Tax is implemented at retail level.

Unquote

The proposals put forward by ICI were then considered.

Chairman stated that as a matter of policy, the committee at this stage can only take up Tax related matters, and Tariff matters cannot be taken up now.

Five Taxation proposals put forward by ICI were considered. Items 1 & 2 of the ICI proposals have already been included in the Chamber's recommendations. Items 3 & 5 were dropped on the grounds that the rationale for supporting them was not substantial. Item 4 was a provincial matter and has already been taken up with the Provincial Government.

Muller & Phipp's proposals dated 10th March, 1998 were also considered and it was agreed not to include any further items.

The proposals submitted by Knoll Pharmaceuticals were then considered. Item 1 was dropped as it was a Tariff matter. Similarly Items 2, 4 & 7 were also not considered for inclusion as these were Tariff matters. Items 3, 5 & 6 were Trade Policy matters and have been taken up by the Commercial and Industrial Matters Sub Committee.

Reckitt & Colman's proposals put forward in their letter of 19th April, 1998 were considered. As these were either Trade Policy or Tariff matters they were not considered for inclusion.

The proposal of Hinopak Motors put forward in their letter of 17th March, 1998 was considered. Mr. Syed informed the meeting that the matter has been addressed.

The proposal of CPC Rafhan forwarded in their letter of 13th April, 1998 was considered. It has already been included in the earlier recommendations.

Meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY-GENERAL

3rd July 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR TAXATION
HELD ON MONDAY 22ND JUNE 1998
AT 3.30 PM IN OICC&I**

PRESENT

MR. F.A. HASHIMI	CHAIRMAN	GESTETNER
MR. ALEEM A. DANI	GLAXO WELLCOME	
- Rep. by MR. MASOOD AHMED		
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MR. SHAMIM HASSAN KHAN		LEVER BROTHERS
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. MUNAF LAKDA		PHILIPS
MR. FEROUZE COWASJI		SHELL
MR. ABDUL WADOOD		

PRESENT BY INVITATION

MR. DAUD ANSARI	SIEMENS
DR. ARUNA BANDARANAYAKE	LEVER BROTHERS

LEAVE OF ABSENCE

MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. PERVEZ GHAS		ENGRO CHEMICAL

Chairman welcomed members to the last meeting of the taxation Sub Committee, as a new committee will be constituted after 1st July 1998.

He said the purpose of today's meeting is to assess the situation arising after the 1998 Finance Bill and to identify substantive issues which need to be addressed by the successor committee.

Mr. Batlay (Lakson Tobacco) pointed out the following two issues:

- (i) Excise is still being applied at multiple stages in the tobacco industry.
- (ii) Octroi taxes in Sind are high and in some cases as much as 7% of the value.

Mr. Daud Ansari (Siemens) raised the following issues:

- (i) Mal-administration of Octroi and Rahdari taxes.
- (ii) Mandatory charge of Marking Fee by PSI from exporters
- (iii) Finance rate for exports is still too high at 10%.
- (iv) Exemption of import duties on raw material imported for consumption in exports are granted by the Pakistan Engineering Board, which meets infrequently and causes delays.
- (v) Survey Certificates required for export issued by CBR take far too long. First a preliminary certificate is granted, then a final certificate.
- (vi) Postponement in reduction of corporate tax rates
- (vii) Retrospective application of 10% surcharge for personal taxation.
- (viii) The threshold fixed for payment of salaries by cheque at Rs.5,000 is too small and should be enhanced to Rs.10,000.

Mr. Feroz Cowasji (Shell) raised the following issues relating to the oil industry.

- (i) Timing delays on refunds continue and the problem has not been addressed
- (ii) The exemption from withholding tax to the oil industry under section 50(5) were made effective 1st July 1997. As the industry has not included these taxes in the price build up to the consumers, the demand of this tax for prior years is unreasonable and will result in significant historic losses for the years for which accounts have been published and dividends paid.
- (iii) The application of 5% withholding tax on imports of few deregulated products – lubricants, petrochemicals and some aviation Fuels, in some cases is more than the margin earned on some of the products and needs to be revised downwards.
- (iv) The Punjab Government wishes to charge 0.5% stamp duty on oil products brought into the province. There is no mechanism available to pass this on to the consumer, as this element is not in the price build up approved by the Director General Petroleum prices, as margins are set by the Ministry of Petroleum.

Mr. Munaf Lakda (Philips) raised the following issues:

- (i) The import duties on CBU import of Refrigerators has been reduced from 45% to 25%. However at the company's intervention there has been a post budget reduction of Central Excise duty on local manufacturers of Refrigerators so that the local manufacturers are not disadvantaged.

Dr. Aruna Bandaranayake (Levers) raised the following point:

- (i) The Central Excise Duty at import stage is paid at CIF value, whereas local manufacturers pay Central Excise Duty on retail price. In this way local manufacturers is disadvantaged.

Mr. Masood Ahmad (Glaxo) raised the following issues.

- (i) The threshold for payment of salaries by cheque should be increased from Rs.5,000 to Rs.10,000.
- (ii) The increase of custom duty on packaging material PUDC (used for blister packing of tablets) from 10% to 35% and an imposition of 12½ Sales Tax are only going to increase the costs of local industry, with very little chances of an upward price revision. This issues has also been raised by Novartis in their letter dated 22nd June 1998 which was tabled.

Letter dated 18th June 1998 received from Dawood Hercules on adverse impact of tax measures on salaried class was also tabled for discussion.

Chamber's letter of 16th June 1998 to the Chairman CBR voicing its concerns was also tabled for discussion.

The meeting was adjourned for 25th June 1998 at 3.30 PM.

ZAHID ZAHEER
SECRETARY GENERAL

3rd July 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR TAXATION
HELD ON THURSDAY 25TH JUNE 1998
AT 3.30 PM IN OICC&I**

PRESENT:

MR. FUAD AZIM HASHIMI	CHAIRMAN	GESTETNER
MR. PERVEZ GHAS		ENGRO CHEMICAL
MR. ALEEM A. DANI	}	GLAXO WELLCOME
MR. MASOOD AHMAD		LAKSON TOBACCO
MR. TASLEEMUDDIN A. BATLAY		
- REP. BY MR. YOUSUF KASBATI		
MR. SHAMIM HASSAN KHAN,	}	LEVER BROTHERS
DR. ARUNA A. BANDARANAYAKE		
MR. JEFF LEA		
MS. FARAH QURESHI		MACKINNON, MACKENZIE
MR. FEROZE COWASJI		SHELL
- REP. BY MR. ABDUL WADOOD		

PRESENT BY INVITATION

MR. ROBERT JONES		CADBURY
MR. A. S. RAVDA		MULLER & PHIPPS
MR. SAAD A. KHAN	}	PROCTER & GAMBLE
MR. JOHN POWELL		
MR. ZOHAIK MAHMOOD	}	RECKITT & COLMAN
MR. BABUR SULTAN		
MR. SYED WIQAR ALI		JOHNSON & PHILLIPS
MR. SHABBAR ZAIDI	}	A. F. FERGUSON
MR. NAEEM AKHTER		
MR. ZIAUL HASSAN		GESTETNER

LEAVE OF ABSENCE (MEMBERS)

MR. AZIZ A. VAZIR	CO-CHAIRMAN	ROCHE
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. MUNAF LAKDA		PHILIPS

LEAVE OF ABSENCE (INVITEES)

SIEMENS

Chairman welcomed members to the meeting and said that today's meeting has been called to address the problems anticipated in implementing the new sales tax regime from 1st July 1998. Chairman said that he had invited member companies who had special interest. He also thanked Mr. Shabbar Zaidi partner of A. F. Ferguson & Co. who had accepted his invitation and joined the meeting to share his expertise with the members.

It was explained by Mr. Zaidi that Schedule III of the Sales Tax Act was a list of those industries which are required to pay sales tax on retail price. Previously there were seventeen industries in Schedule III, but these have now been reduced.

Members round the table exchanged views about difficulties in registration with the Sales Tax department, as the number of entities involved are very large. After considerable discussion, it was agreed that Chamber will write to CBR in this matter and seek moratorium of one month for manufacturers to pay the additional sales tax of 1% in case of unregistered entities. Member companies agreed that they will provide details of sales to CBR which have taken place in this one month moratorium period.

The representative of Johnson & Philips pointed out that the exemption from additional sales tax penalties granted under SRO 575 (1) 98 dated 12th June 1998, has been restricted upto 30th June 1998 and this period should be extended, as it was insufficient. Mr. Shabbar Zaidi explained that SRO 575 (1) 98 is a replacement of SRO 485 (1) 98 which granted similar exemption for the period upto 31st May 1998 and the Government of Pakistan has already extended the time upto 30th June 1998. He also informed the members that many assesses will fall within the purview of Sub Section (v) of SRO 575 (1) 98, as these was a fair amount of confusion about what can be claimed as input tax adjustment under SRO 1307 dated 20th December 1997, as this order restricted the adjustments only to those inputs which were a constituent part of the end product. However with effect from 12th June 1998, SRO 1307 (1)/97 stands superceded by a new statutory regulatory order in which all sales tax paid at input stage are adjustable, except specified capital items. Furthermore before the budget there was no time limit for seeking input sales tax adjustment, now after the 1998 budget there is a twelve month time limit for this adjustment. It was also explained that sales tax adjustments are claimable on purchases and not on consumption. Chairman did approve that this extension be sought from CBR.

A question raised by the representative of Muller & Phipps was that FATA areas are exempt for tax, whereas PATA (Provincially Administered Tribal Areas) are not exempt. He sought clarification on what should a distributor do in such cases. Mr. Shabbar Zaidi offered to obtain a clarification.

In another matter Mr. Zaidi explained that after the issuance of sales tax General Order No. 1 / 1998 the levy of sales tax on vendors has been clarified very clearly. He also informed the meeting that upto 12th June 1998 Insecticides & Pesticides were exempt from sales tax and after this date the exemption stands withdrawn. Mr. Zaidi also explained that printing of retail price on packages of product covered under Schedule III is not mandatory.

The representative of Shell Oil Company wished to know about the timing of filing the sales tax returns. He was informed that retailers are requested to file returns monthly, whereas importers are required to do so quarter yearly.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

10th December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION
HELD ON TUESDAY 25th AUGUST 1998
AT 10.30 AM IN OICC&I**

PRESENT:

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. PARVEZ GHAS	CO-CHAIRMAN	ENGRO CHEMICAL
MR. S. K. MEHDI		CLARIANT
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SAEED HAIDER		J & P COATS
MR. SAAD A. KHAN		PROCTER & GAMBLE
MS. FARAH QURESHI		RHONE POULENC
MS. TRUDY TAYLOR		SHELL

LEAVE OF ABSENCE:

MR. ASIF SINDHU	ANZ GRINDLAYS
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR. SHAMIM H. KHAN	LEVER BROTHERS
MR. MUNAF H. LAKDA	PHILIPS

1. The Chairman welcomed Members to the new Committee. Minutes of the last meeting held on Monday 22nd June, 1998 at 3.30 PM in the Chamber's premises were confirmed.
2. The Chairman pointed out that these Minutes summarize all the outstanding issues identified by the outgoing Committee. He then proceeded to appoint new Group leaders for the Eight different sectors of the Chamber's membership. The list of companies in each sector and Group Leaders is attached to these Minutes. It was also agreed that Ms. Farah Qureshi (Rhone Poulenc) will act as the Group Leader for all Income Tax and Wealth tax matters including personal taxation.

It was agreed that each Group Leader will review the OICC&I's Budget proposals relating to his / her sector to determine which are the key issues that remained un-addressed and still need to be pursued by the Committee.

3. After review of the outstanding issues it was agreed that the Committee undertakes the following four special projects during the year:

A. Withholding & Presumptive Taxes	Mr. Saad Khan Project & Gamble
B. Refunds	Mr. Pervaz Ghas Engor Chemical
C. Retroactive Taxation and Inconsistencies in policies	Ms. Farah Qureshi Rhone Poulenc
D. Concept of self assessment Scheme for Companies	Ms. Farah Qureshi Rhone Poulenc
4. Letter received from:
 - 1) Lever Brothers Pakistan Limited dated 24th June, 1998.
 - 2) AgrEvo Pakistan (Private) Limited letter dated 18th August, 1998.
 - 3) Gillette Pakistan Limited letter dated 28th July, 1998.

were tabled for discussion. It was agreed that the respective Group Leaders would discuss the issues with the companies concerned and try to establish if the issue concerns more than one company and is not company specific, the Chamber would take up the matter with the Central Board of Revenue.

5. Letter received from Procter & Gamble dated 17th August, 1998 on implementation of General Sales Tax to Distributors, Wholesalers and Dealers was tabled for discussions, as was letter received from Rafhan Bestfoods Limited dated 30th July, 1998 on Sales Tax matters.

At this stage meeting was enlarged to include the following invitees:

MR. AIJAZ KHAN	CADBURY
MR. ZIAUL HASAN	GESTETNER
MR. A. S. RAVDA	MULLER & PHIPPS
MR. BABAR SULTAN	RECKITT & COLMAN

Procter & Gamble's representative wished to get an agreement for Chamber to discipline the Distributors. He was informed that the distributors are not Members of the Chamber and the Chamber cannot control the code of conduct of non members.

Mr. Aijaz Khan (Cadbury) offered to keep Members informed about practical approached of handling Sales Tax problems relating to Distributors. He observed that the Sales Tax format Invoice was very complicated and some people are using challans with Sales Tax value shown on them, instead of the Sales Tax invoice.

With regard to the Rafhan Bestfoods Limited letter, it was agreed that Distributors should be allowed to claim input sales tax paid on all stocks held on 30th June, 1998 without imposing a 30 day time limit. Chamber to take up with Central Board of Revenue.

It was also agreed that in view of the point raised by Muller & Phipps, the Chamber should write to Central Board of Revenue and ask for Provincially Administered Tribal Areas (PATA) to be included and brought within the ambit of Sales Tax.

Mr. Saeed Haider of J & P Coats informed the committee that although fixed Sales Tax scheme was abolished with effect from 1st July, 1998, the units previously under the fixed Sales Tax scheme continue to avoid paying GST. The chamber should draw the attention of the government of Pakistan to poor implementation.

6. Members agreed that the meeting of the Committee should be held once in two months, preferably on 2nd Tuesdays at 10:30. AM.

The tentative dates of the meetings to be held during the year 98 / 99 are as follows:

13 TH OCTOBER, 1998
08 TH DECEMBER, 1998
09 TH FEBRUARY, 1999
13 TH APRIL, 1999
08TH JUNE, 1999

The meeting ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

OICCI LIST OF MEMBERS (TRADE WISE)

8th October 1998

1. **CHEMICAL / PESTICIDES / FERTILIZERS / PAINTS :**

1. AGERVO PAKISTAN (PVT.)LTD.
2. BASF PAKISTAN (PRIVATE) LTD.
3. BERGER PAINTS PAKISTAN LTD.
4. CLARIANT PAKISTAN LIMITED
5. DAWOOD HERCULES CHEMICALS LTD.
6. DOW AGROSCIENCES B.V.
7. ENGRO ASAHI POLYMER & CHEMICAL (PVT) LIMITED
8. ENGRO CHEMICAL PAKISTAN LTD.
9. ENGRO PAK. TANK TERMINAL LTD.
10. ICI PAKISTAN LTD.
11. LEVER CHEMICAL (PVT) LTD.
12. PAKISTAN GUM & CHEMICALS LIMITED
13. PAKISTAN GUM INDUSTRIES (PVT) LTD.
14. RHONÉ-POULENC (PRIVATE) LTD.
15. RHONÉ-POULENC CHEMICALS (PVT) LTD.

GROUP LEADER

1. MR. PERVAIZ GHIA
(ENGRO)
2. MR. S. K. MEHDI
CLARIANT

2. **BANKING / INSURANCE / FINANCE & LEASING COS.**

BANKS

1. ABN AMRO BANK N.V.
2. ALBARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)
3. AMERICAN EXPRESS BANK LTD.
4. ANZ GRINDLAYS BANK PLC
5. BANK OF AMERICA NT & SA
6. BANK OF CEYLON
7. BANK OF TOKYO MITSUBISHI LTD.
8. CITIBANK N.A.
9. CREDIT AGRICOLE INDOSUEZ (The Global French Bank)
10. DEUTSCHE BANK A.G.
11. DOHA BANK LTD.
12. EMIRATES BANK INTERNATIONAL LTD.
13. FAYSAL BANK LTD.
14. HABIB BANK AG ZURICH
15. HONG KONG & SHANGHAI BANKING CORP. LTD
16. INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LTD.
17. MASHREQBANK PSC
18. OMAN INTERNATIONAL BANK SAOG
19. RUPALI BANK LTD.
20. SOCIETE GENERALE
21. STANDARD CHARTERED BANK
22. TRUST BANK LIMITED

GROUP LEADER

MR. ASIF SINDHU
(ANZ BANK)

INSURANCE

23. CIGNA INSURANCE ASIA PACIFIC LTD.
24. COMMERCIAL UNION ASSURANCE CO. PLC
25. NEW HAMPSHIRE INSURANCE COMPANY
26. ROYAL & SUN ALLIANCE INSURANCE PLC
27. ROYAL EXCHANGE ASSURANCE

LEASING & FINANCIAL COMPANIES

28. ATLAS INVESTMENT BANK LTD.
29. ATLAS LEASE LIMITED
30. CITICORP INVESTMENT BANK (PAKISTAN) LIMITED
31. COMMONWEALTH DEVELOPMENT CORPORATION
32. EQUITY INTERNATIONAL (PRIVATE) LTD.
33. INDOSUEZ W.I. CARR SECURITIES PAKISTAN (PVT) LTD.
34. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
35. INTERNATIONAL HOUSING FINANCE
36. JARDINE FLEMING PAKISTAN BROKING (PRIVATE) LTD.
37. KHADIM ALI SHAH BUKHARI & CO. LTD.
38. ORIX LEASING PAKISTAN (PVT) LTD.
39. SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. (PVT) LTD.
40. SECURITY LEASING CORPORATION LIMITED
41. UBS SECURITIES (PAKISTAN) LIMITED

3. PHARMACEUTICAL INDUSTRIES:

1. ABBOTT LABORATORIES (PAKISTAN) LTD.
2. BARRETT HODGSON PAKISTAN (PVT) LTD.
3. BAYER PHARMA (PRIVATE) LTD.
4. BEECHAM PAKISTAN (PRIVATE) LTD.
5. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
6. BRISTOL - MYERS SQUIBB PAKISTAN (PVT) LTD.
7. CYANAMID (PAKISTAN) LTD.
8. ELI LILLY PAKISTAN (PRIVATE) LIMITED
9. GETZ PHARMA PAKISTAN (PRIVATE) LIMITED
10. GLAXO WELLCOME PAKISTAN LTD.
11. HOECHST MARION ROUSSEL (PAKISTAN) LIMITED
12. JOHNSON & JOHNSON PAKISTAN LTD.
13. KNOLL PHARMACEUTICALS LTD.
14. MERCK MARKER (PRIVATE) LIMITED
15. MERCK SHARP & DOHME OF PAKISTAN LTD.
16. NOVARTIS (PAKISTAN) LIMITED
17. NOVARTIS PHARMA (PAKISTAN) LIMITED
18. ORGANON PAKISTAN (PRIVATE) LTD.
19. OTSUKA PAKISTAN LTD.
20. PARKE, DAVIS & COMPANY LTD.
21. PFIZER LABORATORIES LTD.
22. PHARMACIA & UPJOHN (PRIVATE) LIMITED
23. PHARMATEC PAKISTAN (PVT) LTD.
24. RECKITT & COLMAN OF PAKISTAN LTD.
25. RHONE-POULENC RORER PAKISTAN (PVT) LTD.
26. ROCHE PAKISTAN LTD.

GROUP LEADER

MR. MASOOD AHMED
(GLAXO WELLCOME)

27. SCHERING ASIA GmbH - PAKISTAN BRANCH
28. SMITH AND NEPHEW PAKISTAN (PVT) LTD.
29. SMITH KLINE & FRENCH OF PAKISTAN LTD.
30. W. WOODWARD PAKISTAN (PRIVATE) LTD.

4. **FOOD & CONSUMER PRODUCTS :**

1. CADBORY PAKISTAN LTD.
2. COCA-COLA BEVERAGES PAKISTAN LTD.
3. COCA-COLA EXPORT CORPORATION
4. CONTINENTAL BISCUITS LTD.
5. CPC RAFHAN LTD.
6. LEVER BROTHERS PAKISTAN LTD.
7. NESTLE MILKPAK LTD.
8. NORTHERN BOTTLERS (PVT) LTD.
9. PAK WATER BOTTLERS (PVT) LTD.
10. PEPSI-COLA INTERNATIONAL (PVT) LTD.
11. PROCTER & GAMBLE PAKISTAN (PVT) LTD.
12. SHEIKHOO SUGAR MILLS LTD.
13. TETRA PAK PAKISTAN LTD.

GROUP LEADER
MR. SAAD KHAN
(PROCTER & GAMBLE)

5. **SHIPPING AIRLINES TRADING OTHER SERVICES**

SHIPPING AIRLINES

1. COX & KINGS (AGENTS) LTD.
2. JAMES FINLAY PLC
3. KLM ROYAL DUTCH AIRLINES
4. LUFTHANSA GERMAN AIRLINES
5. MACKINNON, MACKENZIE & CO. OF PAKISTAN LTD.
6. P&O CONTAINERS PAKISTAN (PVT) LTD.
7. QASIM INTERNATIONAL CONTAINER TERMINAL PAKISTAN LIMITED
8. RAY SHIPPING ENTERPRISE LTD.
9. UNITED LINER AGENCIES OF PAKISTAN LTD.

GROUP LEADER
MS. SAEED HAIDER
(J & P COATS)

TRADING & OTHER SERVICES

10. ALCATEL PAKISTAN LTD.
11. BLACKWOOD HODGE (PAKISTAN) (PVT) LTD.
12. BRINKS PAKISTAN (PVT) LTD.
13. DUPONT FAR EAST INC.
14. GESTETNER (PRIVATE) LTD.
15. IBM ITALIA - PAKISTAN BRANCH
16. ITOCHU CORPORATION
17. KELLER GRUNDBAU GmbH
18. KODAK LTD.
19. LUCAS SERVICE PAKISTAN (PVT) LTD.
20. 3M PAKISTAN (PRIVATE) LTD.
21. MARIJENI CORPORATION - KARACHI LIAISON OFFICE
22. MITSUBISHI CORPORATION
23. MITSUI & COMPANY LTD.
24. MULLER & PHIPPS PAKISTAN (PVT) LTD.
25. NALCO GULF LTD.
26. NATIONAL CARBON COMPANY PAKISTAN (PVT) LTD.
27. NCR CORPORATION
28. NICHIMEN CORPORATION

29. OXFORD UNIVERSITY PRESS
30. PAKCOM LTD.
31. PAKISTAN CREDIT RATING AGENCY [PRIVATE] LIMITED
32. PAKISTAN INTERNATIONAL COMPUTERS LTD.
33. PAKTEL LTD.
34. PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LTD.
35. REUTERS LTD.
36. SGS PAKISTAN (PRIVATE) LTD.
37. STARPAK GROUP (PVT) LTD.
38. TEAM S. A. (LUXEMBURG)
39. TOMEN CORPORATION
40. UNISYS PAKISTAN (PVT) LTD.

6. OIL / GAS & ENERGY :

1. AES LAL PIR LIMITED
2. ATTOCK OIL COMPANY LTD.
3. ATTOCK REFINERY LTD.
4. BHP MINERALS INTERNATIONAL EXPLORATION INC.
5. BURMAH OIL COMPANY (PAKISTAN TRADING) LTD.
6. BURSHANE (PAKISTAN) LTD.
7. CALTEX OIL (PAKISTAN) LTD.
8. CASTROL LTD.
9. HUB POWER COMPANY LTD.
10. ICI PAKISTAN POWERGEN LTD.
11. KOT ADDU POWER COMPANY LTD.
12. LASMO OIL PAKISTAN LTD.
13. M-I OVERSEAS LTD.
14. NATIONAL POWER INTERNATIONAL
15. PAKISTAN OILFIELDS LTD.
16. PAKISTAN PETROLEUM LTD.
17. ROUSCH (PAKISTAN) POWER LIMITED
18. SHELL PAKISTAN LTD.
19. SKF SOUTH EAST ASIA AND PACIFIC PTE LTD.
20. UNION TEXAS PAKISTAN INC.

GROUP LEADER

MS. TRUDY TAYLOR
(SHELL PAKISTAN)

7. ENGINEERING & INDUSTRIAL PRODUCTS :

1. ALSTOM PAKISTAN (PRIVATE) LIMITED
2. ATTOCK INDUSTRIAL PRODUCTS LTD.
3. BOC PAKISTAN LTD.
4. DOMESTIC APPLIANCES LTD.
5. EXIDE PAKISTAN LTD.
6. GEC AVERY (PRIVATE) LTD.
7. GENERAL TYRE AND RUBBER CO. OF PAKISTAN LTD.
8. GHANDHARA NISSAN DIESEL LTD.
9. HINOPAK MOTORS LTD.
10. INDUS MOTOR COMPANY LTD.
11. JOHNSON & PHILLIPS (PAKISTAN) LTD.
12. KSB PUMPS COMPANY LTD.
13. OERLIKON-WELDING LTD. - ZURICH
14. PAKISTAN CABLES LTD.

GROUP LEADER

MR. MUNAF LAKDA
(PHILIPS)

15. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD.
16. REFRIGERATORS MANUFACTURING COMPANY PAKISTAN LIMITED
17. SIEMENS PAKISTAN ENGINEERING CO. LTD.
18. SINGER PAKISTAN LTD.

8. **TOBACCO & OTHER MANUFACTURING COS. :**

1. ATTOCK CEMENT PAKISTAN LTD.
2. BATA PAKISTAN LTD.
3. DADEX ETERNIT LIMITED
4. FILTRONA INTERNATIONAL LTD.
5. GILLETTE PAKISTAN LTD.
6. J & P COATS PAKISTAN (PVT) LTD.
7. LAKSON TOBACCO CO LTD.
8. PAKISTAN TOBACCO CO LTD.
9. R. J. REYNOLDS (PVT) LIMITED

GROUP LEADER

MR. TASLEEMUDDIN A. BATL
(LAKSON)

13TH OCTOBER 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION
HELD ON TUESDAY 13TH OCTOBER 1998
AT 10.30 AM IN OICC&I**

PRESENT:

MR. PARVEZ GHIAS	CO-CHAIRMAN	ENGRO CHEMICAL
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. MASOOD AHMED		GLAXO WELLCOME
- REP BY MR. ABDUL HABIB		
MR. SAEED HAIDER		J & P COATS
MR. SHAMIM H. KHAN		LEVER BROTHERS
MR. MUNAF H. LAKDA		PHILIPS
MR. PHILIPPE BOVAY		PROCTER & GAMBLE
- SUB. MR. SAAD A. KHAN		
MS. TRUDY TAYLOR		SHELL

LEAVE OF ABSENCE:

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. S. K. MEHDI		CLARIANT
MR. S. KAZIM HASAN		COMMERCIAL UNION
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO
MS. FARAH QURESHI		RHONE POULENC
MR. RAHIM DAWOOD		SIEMENS

In the absence of the Chairman, Mr. Pervez Ghias chaired the meeting.

1. The Minutes of the Meeting held on 25th August, 1998 were confirmed.

MATTERS ARISING OUT OF THE LAST MINUTES

2. Co-Chairman requested for a status report from each Sector's Group Leader.

Mr. Philippe Bovay (substituting for Mr. Saad Khan) Group Leader for Food & Consumer Products (Group 4) informed the meeting that he had written to fourteen companies in his group but only member company had responded.

Mr. Saeed Haider Group Leader for Shipping, Airlines, Trading & Other Services (Group 5) had written to forty two companies in his group and had also received only one reply.

Mr. Tasleemuddin A. Batlay, Group Leader for Tobacco & Other Manufacturing Companies * (Group 8) had written to nine companies in his group. Since he was not present in the meeting today, the matter was deferred for the next meeting.

Mr. Masood Ahmad, Group Leader for Pharmaceutical Industries (Group 3) was also not available for comments.

Group Leaders from Group 1 – Chemical/Pesticides/Fertilizers/Paints (Mr. Parvez Ghias), Group 2 – Banking/Insurance/Finance & Leasing Companies (Mr. Asif Sindhu), Group 6 – Oil/Gas & Energy (Ms. Trudy Taylor) and Group 7 – Engineering & Industrial Products (Mr. Munaf Lakda) reported that they are in the process of collecting the required information.

3. Co-Chairman then invited discussions on special projects from each of the Project Leaders:

A. WITHHOLDING & PRESUMPTIVE TAXES

Mr. Philippe Bovay gave a status report on Withholding & Presumptive Taxes. He put forward a draft letter for the Committee's consideration to be sent to the Chairman, Central Board of Revenue on Presumptive Tax. After discussions, it was agreed that the approval of the Sub Committee of the draft letter to be conveyed to the Managing Committee for further action.

Mr. Munaf Lakda offered to provide details of how the reduction in duty on Television Sets in 1997 has led to higher Sales and Tax revenue for the Government of Pakistan, and this example would be incorporated in the letter to Central Board of Revenue on Presumptive Tax. A copy of this proposed letter be endorsed to Dr. Pasha.

B. TAX REFUND

Mr. Parvez Ghias gave an overview on the special projects related to tax refunds. It was agreed that Central Board of Revenue should be addressed on allowing companies to file their own estimate for Advance Tax. Mr. Parvez Ghias offered to draft a suitable letter on the subject with regard to projects on

C. RETROACTIVE TAXATION AND INCONSISTENCY IN POLICIES**D. SELF ASSESSMENT SCHEME FOR COMPANIES**

It was agreed to defer these two items for the next meeting, as the Project Leader, Ms. Farah Qureshi was not available at this meeting.

4. Procter & Gamble's letter dated 2nd October, 1998 was tabled for discussion. The issue related to apprehensions of higher Excise Duty on imported finished products.

Secretary General informed the meeting that Lever Brothers in their letter of 24th June, 1998 had raised the issue of uneven playing fields created by charging Excise Duty on locally manufactured products on retail selling price. This letter was tabled for discussion at the 25th August, 1998 meeting of the Sub Committee.

After discussions, it was clear that the issue concerns more than one company. It was agreed that the Chamber should write to the Central Board of Revenue for removal of Excise Duty on both locally manufactured products and on imported finished goods, especially so if the product already suffers the burden of Sales Tax. Ms. Taylor Committee's consideration.

Procter & Gamble's letter of 8th October, 1998 was also tabled for discussion. This matter was discussed earlier and is covered under Item 2 of these Minutes.

OTHER MATTERS

- (A) Mr. Saeed Haider raised the issue that although fixed Sales Tax had been withdrawn, it was not being complied with. He was requested to draft a suitable representation letter for the Committee's consideration.
- (B) Letter dated 25th September, 1998 from Alstom Pakistan (Private) Limited was tabled for discussion.

It was agreed that a suitable reply be sent to the company stating that this should be dealt by the company or their Tax Advisors.

The meeting ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

4th December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION
HELD ON FRIDAY 30TH NOVEMBER 1998
AT 10.30 AM IN OICC&I**

PRESENT:

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. S. K. MEHDI		CLARIANT
- REP BY MR. VAQAR ARIF		
MR. S. KAZIM HASAN		COMMERCIAL UNION
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SHAMIM H. KHAN		LEVER BROTHERS
MR. MUNAF H. LAKDA		PHILIPS
MR. SAAD A. KHAN		PROCTER & GAMBLE
- REP BY MR. PHILIPPE BOVAY		
MS. FARAH QURESHI		RHONE POULENC
MS. TRUDY TAYLOR		SHELL
MR. RAHIM DAWOOD		SIEMENS

LEAVE OF ABSENCE:

MR. PARVEZ GHIAS	CO-CHAIRMAN	ENGRO CHEMICAL
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. SAEED HAIDER		J & P COATS
MR. TASLEEMUDDIN A. BATLAY		LAKSON TOBACCO

1. The Chairman, referring to the minutes of last meeting of the Committee held on 13th October 1998 at 10:30 A.M., asked the members about their consent to approve the minutes, unless any member has any point to discuss. No member raised any point and the minutes were approved.
2. The Chairman briefed the members about the purpose for which Mr. Mr. Lal, Chief of Withholding Tax, C.B.R. liked to pay a visit to the Chamber on 30th November at 11:30 A.M. He proposed that the discussion with Mr. Lal should remain restricted to :
 - i) Advance Tax
 - ii) Withholding Tax
 - iii) Presumptive Tax
3. Mr. Munaf Lakda and Mr. Philippe Bovay explained the pertinent issues on Withholding Tax which should be raised when Mr. M.S. Lal joins the meeting.
4. As a follow up through to the last meeting with the Prime Minister, the Chairman explained that TAXATION Subcommittee has to develop a paper on taxation issues with the objective to increase total tax revenues of the Federal Government. Parameter of the recommendations should however confine to :
 - IMMEDIATE ACTIONS
 - RATIONALIZE
 - WIDEN THE TAX NET
 - BUILD CREDIBILITY
 - STREAMLINE TAX ADMINISTRATION

5. The Committee decided to hold next meeting on FRIDAY, 4TH DECEMBER 1998 at 9:00 A.M. for this purpose and after arriving at the consensus, to forward its recommendation to the Managing Committee.
6. Mr. M. S. Lal thereafter joined the meeting. The Chairman welcomed him and introduced to the members. Mr. Lal explained the purpose of his visit which was primarily a fact finding mission to create better understanding with the members of OICC&I than to expect any positive decisions on any matter, and, to discuss Budget Proposals.
7. Mr. Philippe Boyay talked on the subject of ADVANCE TAXES and WITHHOLDING TAXES and their impact on the finance and economics of trade and industry.
8. After a lively questions and answers session the meeting ended with a vote of thanks. Mr. Lal stated that any proposal from the Chamber would be duly considered and before any decision is taken, C.B.R. would take the Chamber into confidence.

**MOHAMMAD ASLAM
DEPUTY SECRETARY**

10th December 1998

**MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE ON TAXATION
HELD ON FRIDAY 4TH DECEMBER 1998
AT 9 AM IN OICC&I**

PRESENT:

MR. FUAD HASHIMI	CHAIRMAN	GESTETNER
MR. PARVEZ GHAS	CO-CHAIRMAN	ENGRO CHEMICAL
MR. ASIF SINDHU		ANZ GRINDLAYS
MR. S. K. MEHDI		CLARIANT
- REP BY MR. VAQAR ARIF		
MR. MASOOD AHMED		GLAXO WELLCOME
MR. SAEED HAIDER		J & P COATS
MR. SAAD A. KHAN		PROCTER & GAMBLE
- REP BY MR. WAQAS ASLAM		
MS. FARAH QURESHI		RHONE POULENC
MS. TRUDY TAYLOR		SHELL

LEAVE OF ABSENCE:

MR. S. KAZIM HASAN	COMMERCIAL UNION
MR. TASLEEMUDDIN A. BATLAY	LAKSON TOBACCO
MR. SHAMIM H. KHAN	LEVER BROTHERS
MR. MUNAF H. LAKDA	PHILIPS
MR. RAHIM DAWOOD	SIEMENS

Chairman reviewed the meeting held on 30th November 1998 in which Mr. M. S. Lal, Chief of Direct Taxes Central Board of Revenue and Mr. Asrar Rauf, Additional Commissioner Income Tax participated. Mr. Lal agreed at this meeting that Presumptive Taxes were introduced as an interim measure and was necessary because of lack of documentation, but he agreed that this should be adjustable. He also agreed that taxes should be progressive and should be transaction based and not assess based. He also invited tax proposals for the 1999/2000 Budget.

Chairman then invited discussions for the position paper on macro taxation issues which has to be developed for the next meeting with the Minister of Finance.

The proposals are to be formulated under the proposed headings:

Immediate actions

1. Levy GST on all turnover
2. Tax capital gains

Rationalize

1. Presumptive tax regime
2. Import levies

Widen the tax net

1. Tax income from agriculture
2. Withdrawal all exemptions

Build credibility

1. No retroactive taxation
2. Encourage self-declaration

Streamline tax administration

1. Simplify taxation

It was agreed

1. That Procter & Gamble would fine-tune the paper tabled on Presumptive Taxes.
2. That Ms. Farah Qureshi would do a similar paper on Retroactive Taxation Turnover Tax and Advance Taxes.
3. That Mr. Parvez Ghias will identify a few significant examples of delays in refunds due, and delays in Tax Assessments.
4. That Mr. Saeed Haider would do a paper on poor implementation of Sales Tax.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL