

# Appointment of trade officers' challenged

KARACHI: The High Court of Sindh has issued notices for March 14 for the suit filed against selection of Trade Officers, for declaration and injunction, by D L Nash, a joint venture company with French company Uenoxy Et Lepers.

The plaintiff has submitted that, as a result, his entire annual exports of approximately Rs. Two billion have been placed in jeopardy and that he will be severely prejudiced in the absence of injunctive relief.

The plaintiff has filed the suit on the following grounds: That according to the Operations Manual for Trade Officers posted abroad, published by the Federation of Pakistan, the prime role of Pakistani Trade Officers is to increase Pakistan's foreign exchange earnings through promoting and facilitating the expansion of Pakistan's exports. Trade Officers are responsible for enhancing Pakistan's reputation as a reliable trade partner,

developing favourable commercial relations between Pakistani exporters and their host territories.

Trade Officers, in the performance of their duties, are expected to, amongst other things, seek out and create opportunities for Pakistani exporters, assist Pakistani exporters to exploit any and all opportunities, help formulate the Pakistan's export strategy, process trade enquiries from both jurisdictions, organise publicity programmes and assist in resolution of trade disputes.

As such, it is fairly obvious that Pakistani exporters, including the plaintiff, have to heavily rely on Pakistan's Trade Officers for facilitation and promotion of their export activities. Without competent and proficient Trade Officers, Pakistani exporters are seriously prejudiced and are placed in an unfair and uncompetitive position in the international market in comparison to their counterparts from other jurisdictions. Not only does this lead to huge deficits in Pakistan's balance of payment and foreign exchange earnings, it deeply affects the country's reputation as a reliable trading partner, thereby adversely affecting the entire popula-

tion of Pakistan.

From the perusal of the guidelines it is clear that not only is pre-assignment training necessary for all selected Trade Officers, but language training prior to their departures is mandatory. It has been submitted that because of Federation of Pakistan's abrupt and hasty decision to call back the previous Trade Officers, the current selectees would be sent to their respective postings without any pre-assignment training whatsoever. Not only is the training mandated by the guidelines, it has also been the practice to train selected officers before sending them abroad.

Selected officers had to undergo a three-month long training programme after which they were sent to their posts to take charge from the incumbent officers. Since there are no officers in most embassies currently, the current selectees will be sent to their posts, in breach of the guidelines, without any substantial training. It may be noted that a four-day training programme was conducted for non-C&T officers which was a flimsy exercise and most officers did not even turn up for training.

That the competence, capabilities

and integrity of the officers selected through this most disgraceful procedure are extremely dubious. The fact that these unlawfully selected officers will be placed abroad without any training or relevant experience will seriously jeopardise the business prospects of the plaintiff and all other Pakistani exporters. This Hon'ble Court would appreciate that the loss to the national exchequer could become grievous and the entire population of Pakistan would be made to suffer. The plaintiff therefore prayed, for the reasons stated hereinabove, that this Hon'ble Court may be pleased to set aside the selection process adopted by the Federation of Pakistan and declare the list of selected candidates and its subsequent approval to be null and void.

That the plaintiff, being reliant on Trade Officers in Pakistani Missions abroad, shall suffer irreparable harm and injury if the illegal selection process is not set aside and declared to be void along with the final selection of the officers. The plaintiff is entitled to injunctive relief as any incompetence from Trade Officers, who are being placed abroad without any training, could irreparably damage plain-

tiff's and the country's trade relations.

Plaintiff's entire annual exports of approximately two billion rupees have been placed in jeopardy. It is submitted that the plaintiff shall be severely prejudiced in the absence of injunctive relief. The balance of convenience is also in the plaintiff's favour. It is further submitted that, for the reasons mentioned in this plaint, the plaintiff has a prima facie case.

Plaintiff has, therefore, prayed that the Hon'ble Court may be pleased to pass a judgment and decree in favour of the plaintiff and against Federation of Pakistan as follows:

(i) to declare that the selection process adopted by Federation of Pakistan (defendant No. 1) is illegal, unlawful, void ab initio and contrary to the guidelines issued by the Government;

(ii) to declare that the summary dated 06.02.2013 is violation of the guidelines issued by the government and hence illegal and unlawful;

(iii) to set-aside and quash the summary dated 06.02.2013 approved by the Prime Minister (and to suspend the same during the pendency of the suit);

(iv) to declare that any revised summary based on the currently used pro-

cedure with regards to the selection of Trade Officers is illegal, unlawful, void ab initio and contrary to the guidelines issued by the government;

(v) to set-aside and quash any revised summary based on the currently used procedure with regards to the selection of Trade Officers which may be or have been approved by the PM;

(vi) to restrain the defendant No. 1 from allowing the officers selected vide summary dated 06.02.2013 to be posted in Pakistani Missions abroad;

(vii) to restrain the defendant No. 1 from allowing any officers to be posted abroad without pre-assignment training, including language training;

(viii) to direct the defendant No. 1 to initiate a fresh selection process for the appointment of Trade Officers and conduct the same strictly in accordance with the law and the guidelines framed by the Government of Pakistan;

(ix) to direct the defendant No. 1 to include a representative of the private sector in the Special Selection Board;

(x) to grant any other relief which may be deemed appropriate by this Hon'ble Court in the circumstances of the case; and

(xi) Costs. —IQBAL MIRZA



SRO soon

# Textile sector to face 2pc sales tax at each stage: FBR chief

SOHAIL SARFRAZ  
ISLAMABAD: Federal Board of Revenue (FBR) Chairman Ali Arshad Hakeem said on Saturday that the FBR will shortly issue a Statutory Regulatory Order (SRO) to impose 2 percent sales tax at each stage of the



textile sector bringing this powerful sector into taxation regime.

During the discussion of the 'Tax Policy Group' at an international workshop on "Accelerating Tax Reforms" organised by FBR, Ali Arshad Hakeem said that the FBR will also cap sales tax refund on packing material used by textile industry up to maximum 0.5 percent. The FBR will impose

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## Textile sector to face 2pc sales

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2 percent sales tax on textile sector by abolishing zero rating regime, he added.

FBR Member Inland Revenue Operations Muhammad Raza Baqir shared with the 'Tax Policy Group' that the concessionary sale tax rates for the textile sector may remain intact till the entire supply chain is fully documented. "Till documentation of the whole chain we have to introduce the concessionary rates for this sector", he remarked.

He added that despite zero-rating for the textile sector, the industry has obtained sales tax refund of Rs 12 billion as compared to Rs 2 billion gross sales tax collection from the sector.

Ali Arshad Hakim informed the group that the sales tax exemptions and zero-ratings would be withdrawn in sequence as such concessions have been availed by different industries and sectors over a period of time. It took a long time in reaching such a complicated tax structure which cannot be dismantled at once. The sectors enjoying exemptions and zero-rating are well-aware of the fact that such exemptions would not last forever. The FBR has taken steps in sequence to curtail exemptions like introduction of 2 percent sales tax on textile sector.

FBR Chairman also highlighted distortions in the existing tax policy saying that we have to bring fairness in the tax policy in Pakistan. He also suggested some practical measures to improve revenue collection while plugging loopholes in the taxation system.

'Tax Policy Group' focused its discussion on four major areas: Tax policy should ensure revenue adequacy. Tax policy should be fair, equitable and uniform. Tax policy should be consistent and aimed at simplification of tax structure. Tax policy should promote economic efficiency.

Sharing viable suggestions to improve existing tax policy, FBR Member Inland Revenue Operations Raza Baqir said that transparency in the tax policy cannot be maintained due to interference of the pressure groups and powerful lobbies. These pressure groups influence the tax policy of the country by seeking tax exemptions and sales tax zero-ratings.

FBR Deputy Chairman Shahid Rahim Sheikh explained that there is a long list of exemptions and zero-rating under Sales Tax Act 1990 and other tax laws. The tax policy should focus on systematic withdrawal of these exemptions in

a systematic manner.

Former FBR Chairman Abdullah Yusuf said that equitable tax treatment is necessary across the board under the tax policy. He also explained the rationale behind zero-rating of the textile sector during his tenure in the past. He said that the excessive payment of sales tax refunds forced tax managers to take policy decision to zero-rate five leading export sectors.

Musharraf Cyan professor at Georgia State University said that FBR cannot be solely held responsible for low Tax-to-GDP ratio in the country as there are multiple factors responsible for this phenomenon. The law and order situation, meagre collection of provincial taxes and other factors are also contributing in low Tax-to-GDP ratio.

About taxation of agriculture sector, Musharraf Cyan said that the taxation of the agriculture is not confined to Pakistan. This sector is difficult to tax in every country of the world.

He said that the primary objective of the tax policy is to raise revenue with effective measures.

During the discussions, following challenges in the tax policy of Pakistan were identified: 1. What are the three most serious problems with Pakistan's tax policy? Why is tax collection so low and cumbersome? Are tax rates too high/low? Please rank them in order of importance.

2. What should be the central objectives of tax policy in the decade? What are the priorities of the tax reform agenda?

3. How can FBR better coordinate with the Ministry of Finance in the making of tax policy? Would an external advisory committee on tax policy also help?

4. Using Tax Policy to Facilitate tax Collection. Can you suggest simple measures that would make collection on every tax (GST, income tax—corporate and personal, tariff duties, withdrawal, provincial taxes) more effective?

5. Sectoral Taxation and SROs role. What key reforms would you suggest for each of the main economic sectors—manufacturing, industry, services? Do you think SROs providing special tax concessions and zero rates should be removed? How to create political support to withdraw them so as to broaden the tax base and achieve higher tax collection efficiency?

6. What would be the right sequencing of tax policy reforms? If so, what would be a reasonable roadmap for the successful reform on each major taxes?

NOTE:

GIVE YOUR INPUTS.