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MANAGEMENT ACCOUNTANT



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Role, Issues and Challenges

VOLUME : 29.3



May-Jun 2020

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Ehsan Malik, CEO, Pakistan Business Council (PBC)

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Key Initiatives needed for immediate
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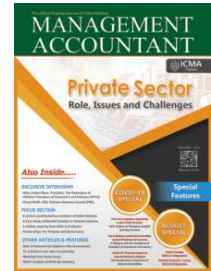
Leadership and Managing People during COVID-19

Research & Publications Committee would welcome articles on the above-mentioned theme for Journal's forthcoming issue

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Recently, many OEMs (Kia Lucky Motors, Honda Atlas Cars Pakistan Ltd, and many others) launched online sales channels to digitally connect with consumers indicating new ways of doing business.

On the other side of the value chain, suppliers are expected to face significant financial and operational burdens. Due to domestic as well as global exposure, Pakistan's automotive

suppliers will face multifold challenges. Lower domestic sales will lead to reduced revenues and lower capacity utilization. Lockdowns in China, Korea, and Taiwan will lead to both import and export limitations in Pakistan.

Global Value Chain integration of all the Assemblers/Manufacturers can play a vital role in stabilizing the automotive sector of Pakistan.



Pakistan Hotels Association (PHA)

Zubair Baweja
Chairman



The Hotels in Pakistan and worldwide irrespective of star rating, are forecasting huge losses for 2020 and 2021 post-COVID-19 scenario as over 80 percent of hotel expenditures are fixed in nature. Looking at the scenario where international travel will remain negligible; Hotels' survival will remain on domestic tourism. Due to forced lockdown necessitated by the COVID-19 pandemic, hospitality businesses are on the verge of closure. This sector has suffered colossal losses on account of lockdown and social distancing imposed by the Government. Pakistan Hotels Association has requested FBR, Finance Minister, SBP, and other concerned to kindly consider some concrete measures, needed immediately to reduce the burden and for the survival of the Hotel Industry.

The support and resolution of following critical issues of Hotel Industry have been necessitated due to the fact that the hotels and their operations are totally closed across Pakistan resulting in non-generation of any revenue. Hotel Industry is virtually on the verge of declaring bankruptcy.

- 1) The government to provide grants for Salaries as Hotel's capacity to take further debts has already exhausted and they cannot borrow further under refinance schemes. Hotels do not have any revenue stream after Lockdown enforced by the Government and will not be able to continue paying salaries and wages to their employees.
- 2) Extension of Refinance Scheme for salary beyond June 2020 at further concessional rates and existing finance availed, interest payment be deferred from 6 months to 2 years and principal payment in 5 years.
- 3) Working capital finance with a limit of 20 percent of last year's turnover is allowed in addition to salary finance on soft terms against corporate guarantee with

payment of mark up after two years and principal in five years with two years grace period.

- 4) Project financing for new and unfinished projects on soft terms against corporate guarantee at a reduced mark up of 3 percent payable over a period of five years with two years grace period. Swapping of finance to be allowed to facilitate settlement of expensive borrowing already taken for projects.
- 5) Relaxation in minimum tax is under consideration, if not completely withdrawn, rate reduction may be considered. In view of massive losses Hotels will not be making tax profits for at least the next five years. Therefore, it is proposed that Hotels and Hotel owning Companies be exempted from charge off minimum tax under section 113 and treatment of tax deduction under section 153(1)(b) of the Income Tax Ordinance, 2001 as minimum tax should also be exempted.
- 6) Exemption from Customs Duties and Taxes on Imports of equipment and essential items for Hotel projects as well as for BMR and refurbishment of existing Hotels
- 7) Proposal to extend the period for carrying forward of losses beyond 6 years seems unreasonable as any business is expected to break even in 6 years. This should not be pressed. Therefore, the time period for carrying forward of losses should be enhanced from six tax years to at least ten tax years. This will boost up the confidence of potential investors to further invest in a business suffering continued loss and consequently broaden the tax base of country.