Pakistan Business Council's

Proposals for the Federal Budget 2010

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Pakistan Business Council

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MINISTRY OF FINANCE
GOVERNMENT OF PAKISTAN

The Pakistan Business Council:

- Established in 2005 by 14 (now 26) of Pakistan's largest private sector business groups including multinationals.
- PBC is neither a "trade body" nor an "industry association". Our advocacy aims to improve the general business climate in the Country.
- Advocacy is "evidence based" drawing on international / regional best practices coupled with what is "achievable" in our environment.
- PBC and its Member Companies will support any effort which will improve the competitiveness of Pakistani industry; the role of Government as envisaged by the PBC is that of a facilitating partner.
- The PBC enjoys an excellent working relationship with the Ministries of Finance / Commerce / Environment / Industries / Planning Commission and regulators including the SECP / SBP / CCP having worked closely through taskforces / committees / working groups and through submissions of formal position papers and presentations. PBC's has provided input for:
    - The Holding Company Law – 2007
    - The Law on Large Import Houses – 2007
    - The Real Estate Investment Trust Law – 2008
    - The Corporate Law Reform Commission – (Work in Progress)
    - The Law on Private Equity & Venture Capital – (Work in Progress)
    - The Corporate Rehabilitation Act – (Work in Progress)
    - The Special Economic Zones Act – (Work in Progress)
    - A formal position paper on the Competition Ordinance 2007
    - As a member of the Private Sector Development Taskforce & other committees of the Planning Commission
    - As a member of the Pakistan team negotiating the new Afghan Pakistan Transit Trade Agreement
    - Position paper on Investments in Associated Companies & Undertakings
    - Position paper on Arbitration Bill
    - Formal position on the Takeover Code

PBC Members:

AlliedBank	Atlas	Colgate Palmolive	The Dawood Group	DESCON	ENGRO
GATRON	Getz pharma	gsk GlaxoSmithKline	GulAhmed TEXTILE MILLS LIMITED, KARACHI	HBL	ICI
Indus Group of Companies	TOYOTA DAIHATSU INDUS MOTOR COMPANY LIMITED	IIL International Industries Ltd.	KASB	LAKSON TOBACCO COMPANY LIMITED	Lotte Pakistan PTA Ltd.
Lucky Cement Concrete Progress	MTL Millat Tractors Ltd.,	NISHAT MILLS LTD.	50 Years Of dedicated service to the Industry Packages Limited	Sapphire	Standard Chartered
SIEMENS	Unilever				

PBC's Budget Proposals – The Underlying Objectives:

- Revitalizing Pakistan's manufacturing sector; not through "rebates", "refunds" and "write offs" but by providing an enabling environment which promotes:
  - Consolidation
  - Investment
  - Transparency
  - Documentation
  - Sustainable Growth, and
  - Competitiveness
- Supporting the Government's efforts to increase the Tax-to-GDP ratio by:
  - Identifying sectors of the economy which should pay their fair share of taxes
  - Proposing incentives for greater documentation of the economy
- Incentivizing investment in the general development of HR in the Country
- Encouraging Private Sector to invest in industry to upgrade technology thereby making it more competitive

<u>PBC's Proposals for the Federal Budget 2010 cover the following areas:</u>

1. The Proposed VAT Bill

2. Amendments/clarifications in the Holding Company Law 2007 and its supporting legislations.

3. Amendments/clarifications in the Income Tax Ordinance 2001

4. Rationalization of Corporate Income Tax and Sales Tax Laws

5. Level playing field for the organized sector.

6. Documentation of the economy & broadening of the tax base

7. Human Resource Capacity building

1.0 The Proposed VAT Bill:

1.0 PBC'S SUPPORT AND IMPLEMENTATION SUGGESTIONS FOR THE PROPOSED VAT LAW				
S.No	**Issue**	**Ground Reality**	**Implication**	**Recommendation**
1.	"Zero rating" of export oriented sectors, specifically, textile, leather, sports goods, surgical instruments and carpets.	***"Zero rating" of export-oriented sector was introduced due to the huge abuses of the refund system*** Abuse was twofold; non-genuine refunds were issued and genuine export refunds were stuck up. In certain cases, Sales Tax Refunds exceeded collection.	***Local consumption of such sectors also became 'zero-rated'*** This is a big distortion in the implementation of VAT besides rendering government's campaign of broadening the tax net ineffective.	To reduce non-genuine refunds, the five export-oriented sectors start with a VAT rate of 2.5% for an interim period, to be brought at par with the normal VAT rate within next three years. **Exports to remain zero rated.** Create a risk-free/tested refund system monitored by an independent body.
2.	No mechanism to allow for "zero rating" inputs for sectors whose output is VAT exempt i.e. not allowed to pass through	***Exempt Sector Input VAT is not "Zero Rated":*** The output of some industries will continue to remain exempt from VAT while their inputs *are not* exempt. The input VAT will therefore be adjusted in the selling price of these VAT exempt sectors.	***Selling Prices Include Input VAT:*** Reason for exempting VAT on sales is defeated as input VAT has to be absorbed in the selling price and is inequitable where the end price is controlled by the government e.g. pharmaceuticals	Industries whose sales are VAT exempt should have their inputs "zero rated"

1.0 PBC'S SUPPORT AND IMPLEMENTATION SUGGESTIONS FOR THE PROPOSED VAT LAW

S.No	Issue	Ground Reality	Implication	Recommendation
3.	Major portions of the retail and wholesale sector will continue to be out of the VAT regime	***<u>Retail & Wholesale is in the informal Sector:</u>*** Keeping a minimum annual turnover threshold of Rs.7.5 million will ensure that the bulk of the retail and wholesale trade (sector contributes 17.5% to GDP) will continue to remain out of the VAT regime.	***<u>Incentive to Stay in Informal Sector:</u>*** In the absence of a verifiable mechanism to determine turnovers, bulk of the trade will continue to remain in the informal sector. Has the potential for becoming a major source of harassment / rent seeking.	The VAT minimum turnover threshold limit be progressively reduced so that it is 2.5 million by 2015
4.	No concept of "deemed input" in the proposed VAT Law.	***<u>Industries that buy from exempt sectors are at a disadvantage:</u>*** Certain industries use input which necessarily will be VAT exempt (fresh fruits, milk, wheat, meat etc.); their sales however are not.	***<u>Formal Sector will be at a Disadvantage:</u>*** The formal sector will be at a disadvantage vis-à-vis sales made by producers who are not in the VAT regime.	Manufacturers in the formal sector be allowed adjustment of a portion of their output VAT under the head of "deemed input" VAT, specifically for items originating from agriculture. This will enable them to have the option of reducing the price to the final consumer.
5.	VAT on Plant and Machinery not adjustable against output VAT.	***<u>Capital Costs will Go Up:</u>*** Imposing VAT on Plant and Machinery and not allowing for adjustment against output will lead to considerable blockage of funds	***<u>Discourage Investments & BMR:</u>*** Significantly reduce incentive to invest in Plant and machinery	VAT should be adjustable in one go. Where a new unit is being established and there is no output adjustable VAT, VAT on Plant and Machinery should be refunded within 21 days

1.0 PBC'S SUPPORT AND IMPLEMENTATION SUGGESTIONS FOR THE PROPOSED VAT LAW

S.No	Issue	Ground Reality	Implication	Recommendation
6.	An across the board VAT on all goods and services with minimum exemptions. The VAT which is a tax on "value addition" pre-assumes that all members in the chain are documented	**A. *Imports are massively under-invoiced:*** With most imports heavily under-invoiced, importers do not give invoices for the correct values for the inputs of raw materials / finished products. Currently the difference between the "actual" and the "official" price is settled in cash. **B. *Abuse of the Afghan Transit Trade:*** While some input VAT (though miniscule) may be available from the legally, though massively under-invoiced imports, no such benefit will be available where the product comes in through the ATTA. Smuggled product under ATTA is a major problem in some industries where it is the only source of raw material	**A. *Input VAT on imported products will be grossly understated:*** Massive under-invoicing will lead to the input VAT being considerably understated. This input VAT has to be adjusted against the output VAT to be paid by the registered manufacturer. Paying not just his VAT but also that of his suppliers considerably increases costs of the registered sellers **B. *Abuse of the Afghan Transit Trade:*** Same implication as with the under-invoiced product.	**A.** Genuine efforts need to be made to reduce the massive under-invoicing in imports. Failure to do this would will defeat the purpose of the VAT **B.** Smuggling under the ATTA needs to be controlled to ensure successful implementation of the VAT. Reducing incentive to evade by lowering incidence of taxes is a more sustainable way of preventing smuggling and promoting documentation of the economy.

1.0 PBC'S SUPPORT AND IMPLEMENTATION SUGGESTIONS FOR THE PROPOSED VAT LAW

S.No	Issue	Ground Reality	Implication	Recommendation
		C. *Very Large Informal Sector:* The informal sector constitutes between 50 - 70% of the economy; in the absence of concrete efforts to document the economy, this sector will remain out of the VAT regime	**C. *Distortion in the VAT Regime:*** Introducing VAT in an economy where the bulk of the activity is in the informal sector will cause severe distortions and put the formal sector at a considerable disadvantage	**C.** A concerted effort to "force" companies in the informal sector to get registered is a pre-requisite for successful implementation of the VAT.(Proposed measures are provided in this document - Section 6.0, pt. 5)
		D. *Refund Systems are Weak:* An efficient and transparent refund system with minimum interface between the VAT officials taxpayer is a pre-requisite	**D. *Rent Seeking & Fictitious Refunds:*** Rent seeking for processing genuine claims and complicity in processing fictitious refunds can lead to a drop in revenues from VAT	**D.** An automated and transparent / tested refund system needs to be in place before the VAT regime is introduced

2.0. Amendments/Clarifications in the Holding Company Law 2007 & its Supporting Legislation

2.0 PROPOSED CHANGES IN INCOME TAX ORDINANCE 2001 – HOLDING COMPANY LAWS			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	Section 59B(2)(a): "there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five percent in the case of a listed company, seventy-five percent or more, in the case of other companies"	Section 59B(2)(a) to read: "there is ***from the date of surrender of loss,*** continued ownership for five years of share capital of the subsidiary company to the extent of fifty-five percent in the case of a listed company, or seventy-five percent or more, in the case of other companies"	Due to ambiguity, *"continued ownership for five years, of share capital of the subsidiary company"* is being read to mean as five years prior ownership prior to surrender of the loss. The underlying concept behind group relief is to nurture and turn around subsidiaries which have long term viability. The five year post surrender holding clause was also put into to place to prevent "loss shopping"
2.	Section 59B(2)(b): "A company within the group engaged in the business of trading shall not be entitled to avail group relief"	Section 59B(2)(b) to read: "A company (not being a company operating trading houses as defined under clause 57 of Part IV of the 2nd Schedule of the Ordinance) engaged in the business of trading shall not be entitled to surrender the loss" Explanation: for the purpose of this paragraph, a company would not be considered to be engaged in the business of trading unless more than 30 percent of declared turnover is from business of trading. Provided that losses on speculation business as defined under Section 19(2) the Ordinance will not be available for surrender.	The clause "engaged in the business of trading" is being misconstrued to read as being applicable in every situation where there is some trading activity. It will be appreciated that manufacturing concerns augment their product offerings by importing / selling products that they don't manufacture themselves. The manner in which this provision of the law is being interpreted; a Company which primarily engages in manufacturing and has some trading interests albeit small; is unable to offset the losses of another company within the group. The proposed explanation of allowing trading activity up to the extent of 30 percent of the turnover allows better clarity of the law. As a Trading House entails a significant investment and creates real jobs in the economy, it is proposed to make it eligible to surrender its losses.

2.0 PROPOSED CHANGES IN INCOME TAX ORDINANCE 2001 – HOLDING COMPANY LAWS			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
3.	Section 59B(2)(g): "all companies in the groups shall comply with such corporate governance requirements as may be specified by the Securities and Exchange Commission of Pakistan from time to time, and are designated as companies entitled to group relief"	Section 59B(2)(g): "all companies in the group shall comply with such corporate governance requirements ***and group designation*** rules as may be specified by the Securities and Exchange Commission of Pakistan from time to time"	The SECP does not require unlisted companies to follow the rules of corporate governance which are applicable to listed companies. This exemption holds for non-listed companies which are part of a group designated by SECP under its group designation rules. The insertion in Section 59(2)(g) will clear ambiguity in the interpretation of the law and make it consistent with the SECP's rules.
4.	Section 59B	To be inserted after Section 59B: Explanation: The amendment in this Section by the Finance Act 2010 shall be deemed always to have been enacted and shall have effect accordingly.	In order to make the amendments applicable for pending cases.
5.	Section 103(A): "Any income derived from inter-corporate dividend within the group companies entitled to group taxation under Section 59AA or Section 59B"	Section 103(A) to read: "Any income derived from inter-corporate dividend within the group companies" Explanation: *"any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B, **irrespective of exercise of option under the afore mentioned sections**"*.	To streamline exemption on inter-corporate dividends.

2.0 PROPOSED CHANGES IN INCOME TAX ORDINANCE 2001 – HOLDING COMPANY LAWS			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
6.	Section 151 (read with Division 1 of Part III of First Schedule) of Income Tax Ordinance, 2001, withholding tax @ 10% is required to be deducted on payment of profit on debt which is adjustable against final tax.	***"The provision of Section 151 relating to withholding tax on payment of profit on debt shall not be applicable on group companies which are designated by SECP under the Group Company registration regulation"***	Similar to the exemption of withholding tax on inter-corporate dividend for group companies designated by SECP

3.0 Amendments/clarifications in the Income Tax Ordinance 2001

3.0 PROPOSED CHANGES IN THE INCOME TAX ORDINANCE 2001			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	Section 152 Payments to non-residents.- (2) "Subject to sub-section (3), every person paying an amount to a nonresident person (other than an amount to which sub-section (1) 4[or sub-section (1A)] applies) shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule" Division II of part III "The rate of tax to be deducted under sub-section (2) of section 152 shall be 30% of the gross amount paid."	Section 152 Payments to non-residents.- (2) "Subject to sub-section (3), every person paying an amount to a nonresident person (other than an amount to which sub-section (1) 4[or sub-section (1A)] applies) shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule" (3) Sub-section (2) does not apply to an amount – **(e) Where payments are being made as reimbursement of expenses in respect of administrative, selling and promotional expenses necessary for the purpose of such export to the extent allowed by the State Bank of Pakistan** Division II of part III "The rate of tax to be deducted under sub-section (2) of section 152 shall be **20%** of the gross amount paid."	In order to do business in international market and build its brand in different countries, a Pakistani company has to spend a good amount in those countries for selling and promotional expenses along with administrative expenses. These expenses range from 30% to 40% of sales. In the cases where a local Pakistani company doesn't have any subsidiary in those countries and have representative office, the Pakistani company is required to send remittance to their representative offices from Pakistan. When any exporting Pakistani company makes any remittance to its representative office as reimbursement of selling, marketing and administrative expenses it is required to deduct withholding tax as per regulations of FBR vide Section # 152 (2). Withholding tax @30% is required to be deducted on every payment and in the case of double taxation treaty between Pakistan and exporting country; it is reduced to 15% of payment. As these payments are reimbursements of expenses therefore these should not be taxed. Exemption against these payments can be applied to commissioner of tax but the exemption is provided on each single payment hence practically it becomes impossible for a company to go to commissioner for each and every payment and get the exemption.

3.0 PROPOSED CHANGES IN THE INCOME TAX ORDINANCE 2001			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
2.	Sub clause (iii) of clause 72 of Part I, 2nd Schedule was omitted in previous Finance Act 2009	Due to the withdrawal of this provision, profit on debt payable to non-resident persons in respect of foreign loans, registered with State Bank of Pakistan (SBP) and utilized for industrial investment in Pakistan has become taxable. It is proposed to reinstate Sub clause (iii) of clause 72 of Part 1, 2nd schedule	To promote industrialization and bring FDI into the country.

4.0 Rationalization of Corporate Income Tax & Sales Tax

4.0 RATIONALIZATION OF CORPORATE INCOME TAX & SALES TAX			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	Effective rate of Corporate Income Tax in Pakistan is 42% (35% Income Tax + 5% WPPF + 2% WFF), which is one of the highest in the region.	Reduce rate of Corporate Income Tax by 1% per annum over the next 5 years for the listed companies	Rate of Corporate Income Tax in Pakistan is on the higher side as compared to global/regional rates and has to be rationalized to retain and attract FDI. Additionally, this high rate of tax, as compared to the highest tax rate of 25% for the non-corporate sector, is becoming a big incentive for converting limited companies into partnerships and proprietorships.
2.	Rate of Sales Tax in Pakistan is 16%	Reduce rate of Sales Tax by 1 % per annum so that it is 10% by 2015.	The high rate of Sales Tax encourages evasion and serves as an incentive for staying in the informal sector. Low rates will lead to greater compliance and reduce cost of doing business in the formal sector
3.	No corporate investment tax credit in Pakistan	Listed companies are allowed an investment tax credit as was the practice in the past. (Section 107A4 of the Income Tax ordinance 1979). Investment tax credit rate be 20%	To regain its competitiveness, Pakistani industry is in dire need of upgrading both technology and machinery. Investment Tax Credit will not only help Pakistani industry regain its lost domestic market share, it will also allow it to compete with regional players in the international markets.

5.0 Level Playing Field for the Organized Sector:

5.0 LEVEL PLAYING FIELD FOR THE ORGANIZED SECTOR			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	Commercial Importers are charged a presumptive tax rate of 4% which is treated as their final tax liability	Commercial Importers be brought into the normal tax regime, till this can be accomplished, the previous rate of Presumptive Tax of 6% be reintroduced. For listed corporate entities: • The rate of withholding tax on import of finished goods / goods sold in the condition in which they are imported to be 50% of that for the commercial / non listed corporate importers. • The listed corporate entities may be allowed the option to file returns under the normal tax regime. • In case they opt to file under the normal tax regime, the withholding tax deducted to be adjustable. • A listed corporate entity, opting to move from the presumptive to the normal tax regime for commercial imports, will not be able to revert to the presumptive regime for 5 years.	Increased Government revenues while at the same time helping to increase listings. A bias in favor of the listed sector will lead to greater documentation of the economy.
2.	Across the board massive under invoicing, dumping of imported products	Depending on industry input, values are fixed for import consignments; basis of valuation can be origin, weight, volume etc. For items prone to under invoicing and mis-declaration, FBR designate one or two ports (including the dry ports) for clearing of import consignments. This will allow better monitoring of the import consignments. Institutional strengthening of the National Tariff Commission (NTC)	Allow industry to fairly compete with unscrupulous imports, Government to benefit from increased revenue.

5.0 LEVEL PLAYING FIELD FOR THE ORGANIZED SECTOR

S.No	Existing Situation	Proposed Change	Rationale for Change
3.	Pakistan allows Afghanistan Transit facility under the 1965 Afghan Transit Trade Agreement (ATTA)	Renegotiate Treaty to incorporate enabling clauses to protect national economic interest. In the interim period some of the measures allowed under the existing (1965 Agreement) be enacted, these include: • Reintroduction of the Negative List for ATTA, especially for raw materials for which no industry exists in Afghanistan and for consumer items for which the demand conditions in Afghanistan may not justify the large quantities being imported by Afghanistan. • As was the case till 1996, only those shipments be allowed under the ATTA for which a valid Letter or Credit has been opened. Pakistani banks in Kabul can be approached to provide facilities for the Afghan importers. • The FBR be empowered and made responsible for ensuring that the goods intended for consumption in Afghanistan are not sold in the domestic markets. • For certain smuggling prone products the government can consider adopting "revenue neutral" measures whereby varying the combination of various duties/levies/taxes the incentive for smuggling is reduced to a minimal.	These measures will reduce the excess quantities which are imported under the ATT but destined for Pakistan. They will also lead to revival of manufacturing in Pakistan and increased revenues for the Government

5.0 LEVEL PLAYING FIELD FOR THE ORGANIZED SECTOR			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
4.	Values at which various custom check posts clear import consignments are not public information. This allows unscrupulous importers to mis-declare consignments and evade government revenues. The Sales Tax and FED deposited by various units is not public information. This leads to massive evasion of Sales Tax and FED.	Values at which import shipments are cleared whether through PRAL or CARE needs to be public information. To protect confidentiality name of supplier maybe withheld. Additionally, the old Customs General Order 25 needs to be revived. This allowed local manufacturers the option to buy at a 10% premium any consignments which appeared undervalued. Sales Tax and Federal Excise Duty deposited by local manufacturers should be published as was the practice in the past	Greater transparency at import stage will lead to reduction in mis-declaration and evasion of duties. It will also lead to greater accountability of the customs staff. Will reduce the incidence of Sales Tax & FED evasion and increase government revenues. If the KESC can publish the names of people stealing electricity, what is there to prevent the FBR from publishing the names of those who pay their taxes?
5.	Though Income Tax, Sales Tax, Custom Duty & FED now comes under the Inland Revenue Services (because of which there is considerable flexibility for data exchange), the FBR does not allow cross adjustments, i.e. refunds due from one department can't be offset against current demand of another department.	In the first stage, tax payers registered in the LTU be allowed to adjust refunds say of Sales Tax (VAT) against the demands for Income Tax / Customs Duty / Federal Excise Duty or vice versa	Will improve cash flows in the formal sector

6.0 Documentation of the Economy & Broadening of the Tax Base:

6.0 DOCUMENTATION OF THE ECONOMY & BROADENING OF THE TAX BASE			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	No incentive for corporate sector to buy from registered suppliers	Entities that can prove that 90% of their purchases are from registered suppliers get a 2% lower corporate tax rate.	Incentive to buy from registered suppliers, greater documentation of the economy.
2.	No incentive for individuals to insist on proper sales receipts	Computerized sales tax invoices for sales made to individuals are part of a "National Sales Tax Compliance Incentive".	Greater incentive for individuals to insist on proper receipts for goods and services purchased. Greater documentation of the economy
3.	No tax on real estate developers / builders	Real Estate developers should be taxed on a per square foot basis for built up property and a per square yard basis on land developed for sale. However houses constructed on plots of less than 100 square yards or equivalent and apartments with a covered area of less than 800 square feet as well as developed plots of less than 120 square yards in residential areas should be exempt from tax. This should only be available if the taxpayer does not already have a house, plot or apartment registered in name. To provide a flip to the organized real estate sector the CVT and stamp duty should be rationalized as referred to in the National Housing policy 2001.	No rational for keeping sector outside of the tax net.
4.	No tax on capital gains on shares till June 2010	Gains on share transactions should be taxed. Capital Gains Exemptions only when shares have been held for more than a year	Cascading tax to help promote development of the Capital Markets

6.0 DOCUMENTATION OF THE ECONOMY & BROADENING OF THE TAX BASE			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
5.	A very Low Taxpayers Base (about 1.0 million in a population of about 170.0 million)	Filing of tax returns be mandatory for persons who: ➢ have a credit card in their name ➢ have taken a personal loan from any financial institution ➢ have traveled outside of Pakistan in the last financial year ➢ are members of a private club, ➢ are members of a professional body ➢ own urban property of more than 240 square yards or equivalent or an apartment with covered area more than 1,500 square feet. For manufacturing units and retail wholesale trade currently not in the tax net, following is proposed: ➢ Registration with the tax authorities of units which have either a commercial or an industrial utility connection. ➢ For retail outlets operating with domestic utility connections, the minimum size of 500 square feet is recommended for registration.	All this information is easily available and will lead to: • greater documentation of the economy, and • greater tax collection

7.0 Human Resource Capacity Building

7.0 HUMAN RESOURCE CAPACITY BUILDING			
S.No	**Existing Situation**	**Proposed Change**	**Rationale for Change**
1.	The WWPF & the WWF (total 7%) have failed to contributed towards improving the quality of the human resource in the Country	Listed companies are allowed to spend up to 50% of their ***undistributed Workers Profit Participation Fund (WPPF)*** in making contributions to: • Recognized higher education / vocational training institutions. • Company's own schools or recognized not-for-profit bodies running schools in the vicinity fo the manufacturing facility, • Environment and health projects for communities in the vicinity of the manufacturing facility. Similarly listed companies are allowed to spend 50% of their contributions to the Workers Welfare Fund (WWF). Alternatively the rate of WPFF & WWF be reduced by 50%	Industry driven technical training programs will lead to the development of a human resource pool which is in line with industry needs. Additionally a healthier workforce will contribute to increased productivity.