

Textile sector's contribution

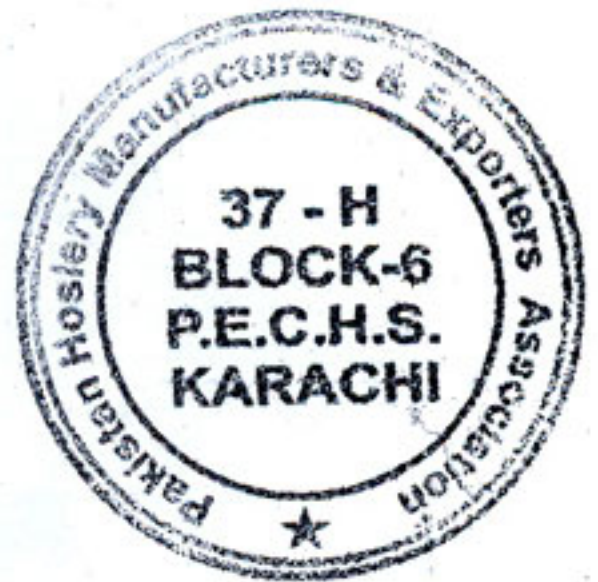
Bilwani expresses resentment over PIDE statement

KARACHI: Council of All Pakistan Textile Associations (CAPTA), Co-ordinator and Spokesman, M. Jawed Bilwani expressed great surprise and resentment that an institute to such repute like Pakistan Institute of Development Economics (PIDE) issues an irresponsible statement such as the one that appeared in local newspaper of 28th May, 2011.

The statement said, "the net contribution of textile sector is negative". Bilwani said it seems that PIDE is clearly unaware and has not done its homework; the textile sector in Pakistan is 100 percent documented and contributes 54 percent of nation's total exports and generates 42 percent of the employment. It also contributes greatly to the national exchequer in the form of taxes.

He further said that several multiple allied industries of the textile sector chain are involved in the manufacture and job work such as trimmings, buttons, belts, fur lining, lining, pads and inter lining material, Velcro tapes, hangers, special labels, buttons, rivets, eyelets, buckles, special brand tags, price tags, bar codes, special thread and other items such as decorative fittings, zippers, locker loops, laces, braids, sequins, decorative thread, beads, stones, metal decoration, embroidery, printing, dyes and chemicals, packing materials, polythene bags, cartons etc. and purchase of all these inputs, taxes are paid by the sector. CAPTA spokesman said that other multiple indirect taxes paid by the sector are on account of taxes on building material for construction of factory buildings, salaries, electricity, gas, diesel and petrol for transportation; wear and tear bills, courier charges, bills of mobile connections and other taxes.

Despite all these burdens faced by the textile sector, which is struggling in the face of stiff competition in the global market from neighbouring and other competing countries, adverse factors including high costs of doing business to earn the sorely needed foreign exchange for the nation, Bilwani questioned, why PIDE is picking on this vital backbone of the economy when there are several other sectors not contributing any taxes at all and must be brought into the tax net.—PR



Being faxed / sent to:
Mr. M Jawed Bilwani
Chief Coordinator, PHMA
From: **Yunus Bin Aiyooob**
Secretary General, PHMA

5pc combined ST rate acceptable by zero-rated sectors

TAHIR AMIN

ISLAMABAD: Textile Association of the Council of All Pakistan Textile Associations (CAPTA) has in principle agreed to accept combined rate of 5 percent, instead of 4-6 percent, on the local supply chain of five zero-rated sectors in the budget for 2011-12.

M Jawed Bilwani, spokesman and coordinator of CAPTA, in an exclusive talk with Business Recorder here on Saturday said that in case the FBR introduces a single lower rate of 5 percent, replacing existing 4-6 percent sales tax, on the local supply, it would be acceptable. The
> P 4 Col 3

5pc combined ST

> from page 1

combined lower rate would be acceptable to the business and trade i.e. combination of 4-6 lower rates into a single rate of 5 percent.

It has been decided that inputs of these five major export sectors will remain zero-rated and the present system of four and six percent sales tax on registered and unregistered units, respectively, will be merged into a fixed tax of five percent.

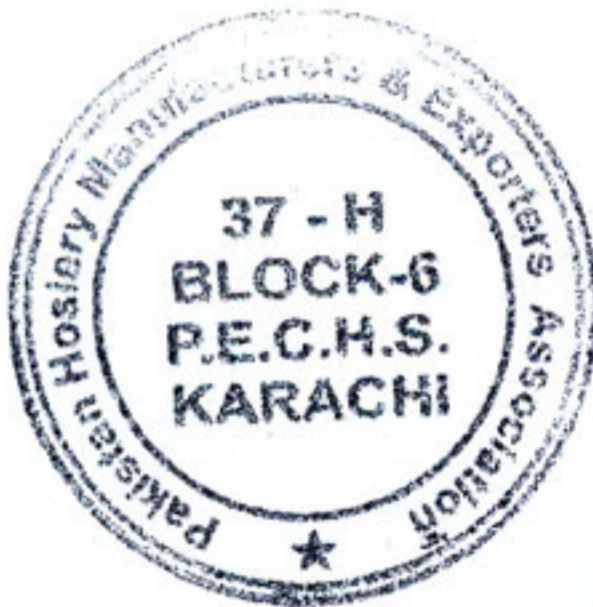
However, he expressed concerns over any move to impose 17 percent sales tax on the local supply chains of five zero-rated sectors to generate around Rs 27 billion in 2011-12.

The government had taken all stakeholders on board and solemnly promised that zero-rating for the five zero-rated sectors would continue for a period of three years which had restored the confidence among the representatives of the five zero-rated sectors", Bilwani said.

"If the government break its promise, the confidence of the investors who are already heavily burdened due to several adverse factors, would be shattered as this concerns 50-55 percent of the investment and would result in flight of capital", he added.

If the reduced rate of 4-6 percent sales tax on the local supplies made to the unregistered persons of five zero rated sectors is being replaced with the standard rate of 17 percent sales tax, it would not be acceptable to the exporters.

He said that the government had also assured that temporarily sales tax on capital goods would be imposed for a period of two months and would be abolished in the forthcoming budget.



Being faxed / sent to:
Mr. M Jawed Bilwani
Chief Coordinator, PHMA
From: **Yunus Bin Aiyooob**
Secretary General, PHMA

PIDE seminar

Textile sector contributes just 1.5pc to revenue

ISLAMABAD, May 27: The economic experts of Pakistan Institute of Development Economics (PIDE) have urged the textile sector to pay all its taxes accordingly in order to bridge the tax gap of Rs500 billion which remains uncollected every year.

"The textile sector has made a habit of seeking concession citing export earnings contributes merely around 1.5 per cent of the tax revenues in gross terms, while the net contribution of the sector is negative", the economists said in a pre-budget seminar organised by PIDE here.

The experts said that the sectoral contribution of direct taxes is fairly skewed. Three sectors, namely oil and gas, financial and telecom together pay 43 per cent of the taxes.

"Broadening of tax base as well as ensuring strict compliance from those who are currently liable to pay tax has become prerequisite to raise the tax revenues", the economists said, and added that direct taxes constitute approximately 40 per cent of the total tax revenue.

The economists said that collection from withholding taxes constitutes 59 per cent of the total collection. Heavy reliance on withholding taxes reflects the inability of the tax machinery to

collect direct taxes.

"Moreover the behaviour of withholding tax agents is also questionable and there are doubts whether all the amounts withheld are actually passed on to the tax authority", the experts said, adding that while people might be bearing the burden of tax in terms of deduction at source and higher prices, the amount withheld by the agents may not end up in the government coffers.

The economists further said that for the past couple of years there have been slippages in the achievements of the revenue target fixed for the year.

The shortfall in revenue is becoming a norm despite the mid-year downward revisions.

The budget makers in an effort to balance the numbers may, at times, treat the target as residual item (Revenue = Budgeted Expenditure + Targeted Fiscal Deficit).

Experts believe that more efforts should go into determining the revenue target and that target should be fixed keeping in view the actual collection in the preceding year and the changes expected in the economic environment in the next year, including of course all the proposed changes in the taxation regime.—APP

