

Proposed sales tax hike criticised

By our correspondent

KARACHI: The value-added textile export sector expressed on Tuesday concern over the proposed increase in sales tax on exports to five percent from two percent.

In a joint statement, the sector's representatives said this increase would be equal to one more nail in the coffin of exports.

They said rising electricity and gas tariffs and increase in prices of other essential raw materials have already increased the cost of doing business in Pakistan as compared to its competing countries.

The statement further stated the government has been holding up billions of ru-

pees of sales tax refund, customs rebate and Rs15 billion of drawback of local taxes and levies claims for an abnormally long period.

Unfortunately, half of sales tax refund claims are put in deferred, while only the remaining is paid, said the statement.

The ministry of finance has restricted the payment to not more than Rs0.5 million, it said.

"The sales tax at every stage is great cruelty on the small and medium-sized export units," it added.

The value-added textile export sector appealed to the government to seriously review and withdraw the decision to tax the value-added textile export sector as this would

crush and ruin the vitality of an important sector.

The value-added textile export sector has been demanding 'No Payment No Refund Regime' to eliminate tax frauds once and for all.

The system of collecting sales tax and then refunding is not only an exercise in futility but involved large number of sales tax personnel and precious time of the Federal Board of Revenue, which could otherwise be utilised to bring more persons in the tax net to increase revenue.

The joint statements were from Jawed Bilwani, chairman of Pakistan Apparel Forum, Shahzad Azam Khan, central chairman of Pakistan Hosiery Manufacturers and Exporters

Association, Ijaz Khokhar, chief coordinator of Pakistan Readymade Garments Manufacturers and Exporters Association, Khwaja Muhammad Usman, chairman of Pakistan Cotton Fashion Apparel Manufacturers and Exporters Association, Kamran Chandna, chairman of Pakistan Knitwear and Sweater Exporters Association, Arshad Aziz, zonal chairman of PRGMEA, Omer Anwar Lari, senior vice chairman of Towel Manufacturers Association, Abid Chinoy, chairman of Pakistan Cotton Merchants Association, Syed Muhammad Ahsan, chairman of All Pakistan Bedsheet and Upholstery Manufacturers Association and Pakistan Denim Manufacturers and Exporters Association.



Value-added textile sector

Move to slap 5pc ST on export opposed

RECORDER REPORT

KARACHI: The value-added textile sector has resented at the federal government's expected move to slap five percent sales tax on export, saying the heavy taxation will prove fatal to the export-manufacturing sector.

Talking to Business Recorder here on Friday, Pakistan Apparel Forum (PAF) Chairman Muhammad Javed Bilwani feared the government's consideration for imposing sales tax by two to five percent is a negative economic approach.

"Increase in sales tax on exports from two percent to five percent will surely be one more nail in the coffin of exports of our nation," he said, adding that "the value-added textile exporters are financially subdued from growing power, gas and water tariffs".

He said the government instead improving supplies of utilities to the industrial units, it was planning to increase sales tax to put the manufacturing sector to another financial disaster.

"The soaring tariffs of electricity, gas and other essential raw materials are leading to high cost of business in Pakistan further hardening the competition against competing countries," he said, adding that the exporters are struggling to retrieve their bogged down amount of Rs 15 billion under DLTCL claims for the last three years.

"A huge amount of financially subdued exporters is blocked in sales tax refund claims amounting to billions of rupees; customs rebate claims of billions of rupees and Rs 15 billion of DLTCL claims which are held up by the government since an

abnormally long period of time," he showed his concerns.

Bilwani said the value-added textile export sector continued to demand for abolishment of sales tax on export-oriented sectors. He said the abolishment of faulty tax system will help improve finances for exporters and the national treasury. "We [exporters] want 'no payment, no refund regime'," he said.

Despite 10 percent appreciation of rupee, the government increased tariffs for all basic utilities for industrial units, he said, adding that "the government is not extending relief to the export-oriented manufacturing units".

He criticized the government for its policy of placing sales tax on small and medium sized export-oriented units. "It is cruelty," he added.

