



Our Government encouraged Five Zero Rated Sectors to achieve the export target of US 30 Billion Dollars by 2023

Discontinuation of Zero Rated status will not only undermine the initiatives by GOP but also reduce the investment necessary for the growth.

Five zero rated sectors are already documented and are contributing (60%) percent to the total exports and (40%) percent to the total employment.

No Collection & No Refund of Sales Tax from Zero Rated Sector is a tried and tested model that enhances the revenue and export. Withdrawing this facility will hamper the exports and will cause unemployment in the society. More than PKR 100 Billion have been deferred in last 5 years and increasing the cost of working capital.

We appreciate that the GoP is issuing 3 years bonds to clear previous refunds. the reversal of this policy will again pile up the claims.

There is need to enhance the tax ambit and improve the tax machinery.

Textile Value Chain has envisioned an invest of US\$ 2 Billion in next 2 years to generate 200,000 new jobs for the sustaniable growth of Pakistan's economy. There is a need to take all stakeholders on board before any drastic change in the existing policy.

The fate of the economy of the Pakistan depends direly on this policy.



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SOS APPEAL



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DISCONTINUATION OF ZERO RATED STATUS WILL RESULT IN RUIN AND DISASTER OF EXPORT ORIENTED INDUSTRIES, MASS UNEMPLOYMENT AND HUGE FOREIGN EXCHANGE LOSSES

IT WILL ALSO LEAD TO CORRUPTION IN CONNIVANCE WITH DUBIOUS FBR OFFICIALS UNDER THE MODE OF FLYING INVOICES, OVER INVOICING, FRAUDS IN REFUNDS ETC

FURTHER, DUE TO SIGNIFICANT VOLUMES OF LIQUIDITY BEING STUCK IN THE FORM OF SALES TAX REFUNDS, EXPORT GROWTH WILL BE SEVERELY AFFECTED AND WE MAY EVEN WITNESS A DECLINE IN EXPORTS

FIVE ZERO RATED SECTORS ARE ALREADY DOCUMENTED & CONTRIBUTE 70% OF TOTAL NATION'S EXPORTS AND GENERATE 50% OF TOTAL NATION'S EMPLOYMENT

COLLECTING SALES TAX AND THEN REFUNDING – CREATES HASSLES FOR EXPORTERS AND ALSO CREATES OPPORTUNITIES FOR CORRUPTION!

NO COLLECTION AND NO REFUND OF SALES TAX FROM FIVE ZERO RATED EXPORT SECTORS IS A TRIED AND TESTED FORMULA FOR INCREASING REVENUE AND EXPORTS! WE MUST NOT FORGET THAT DURING LAST TWO DECADES GOP HAD TRIED TO UNDO ZERO RATING TWICE BUT MISERABLY FAILED, HENCE, ZERO RATING WAS REINTRODUCED. THE ZERO RATED SCHEME, IN CONSULTATION WITH STAKEHOLDERS, CAN FURTHER BE IMPROVED FOR MUCH BETTER OUTCOME.

GOVT ATTEMPT TO COLLECT INTEREST FREE MONEY IN SHAPE OF SALES TAX WILL PUT THE COUNTRY'S EXPORT AT STAKE

TODAY IN THIS PERIOD OF WORST ECONOMIC CRISIS, CAN WE AFFORD TO DO AWAY WITH ZERO RATED STATUS FOR THE FIVE EXPORT ORIENTED INDUSTRIES

WE FERVENTLY APPEAL TO CONTINUE THE ZERO RATED SCHEME

FIVE ZERO RATED EXPORT SECTORS (Value Added Textile – Sports Goods – Surgical – Leather – Carpet)

1. The Federation of Pakistan Chambers of Commerce & Industry
2. Karachi Chamber of Commerce & Industry
3. Lahore Chamber of Commerce & Industry
4. Faisalabad Chamber of Commerce & Industry
5. Sialkot Chamber of Commerce & Industry
6. Pakistan Tanners Association
7. Council of All Pakistan Textile Associations
8. Pakistan Leather Garments Manufacturers & Exporters Association
9. Pakistan Sports Goods Manufacturers & Exporters Association
10. Pakistan Carpet Manufacturers & Exporters Association
11. All Pakistan Bedsheets & Upholstery Manufacturers Association
12. The Surgical Instrument Manufacturers Association of Pakistan
13. Pakistan Hosiery Manufacturers & Exporters Association
14. Pakistan Textile Exporters Association
15. Pakistan Bedwear Exporters Association
16. Towel Manufacturers Association of Pakistan
17. Pakistan Cloth Merchant Association
18. Pakistan Knitwear and Sweater Exporters Association
19. Pakistan Denim Manufacturers & Exporters Association
20. All Pakistan Textile Processing Mills Association
21. Pakistan Readymade Garment Manufacturers & Exporter Association
22. Pakistan Cotton Fashion Apparels Manufacturers & Exporters Association

End of zero-rated facility to raise business cost

It will lead to capital flight and dent country's exports

● USMAN HANIF
KARACHI

The removal of zero-rated status for the five major export-oriented sectors is contrary to the government's policy of improving the ease of doing business as it will increase the cost of doing business and have an adverse effect on the country's exports.

This was stated by representatives of export industries at a joint press conference held at the Pakistan Hosiery Manufacturers and

Exporters Association (PHMA) House, Karachi on Tuesday.

The five zero-rated sectors, which were already documented, contributed 70% to national exports and generated 50% of the total employment, the businessmen said. The removal of the zero-rated status could result in flight of capital to foreign countries and further increase in the import-export gap, which would eventually impact jobs in the country, they said.

"Federal Board of Revenue (FBR) officials are trying to improve their cash flow by extracting Rs1,500 to Rs1,800 billion from the exporters," remarked Karachi Chamber of Commerce

"All chambers of commerce in the country agreed with the idea that zero-rating should not be removed

PHMA Chairman Javed Bilwani

and Industry (KCCI) former president Zubair Motiwala.

"The government doesn't know that this decision can have an adverse impact on exports," he said. "The decision can cause 30% decrease in exports."

The production cost of the export industry had already increased due to the interest rate

hike as 60% of raw material of the export industry came from foreign countries, Motiwala said.

In this situation, the industry can acquire finance from banks at an interest rate of 14% to 15%, and the industry's cost of doing business will increase if the government imposes the proposed 18% sales tax by eliminating the zero-rated facility.

"Adviser to PM on Commerce, Textile and Industry Abdul Razak Dawood agreed in talks with us that the zero-rated facility should not be withdrawn from the exporting sectors," said the KCCI official.

Talking about some positive steps taken by the government,

he said provision of gas and electricity at discounted rates had helped the exporting industries due to which they were expected to take exports to \$24-25 billion this fiscal year whereas next year the exports could touch \$30 billion.

So far, the exporting industries are paying only 2% tax on the packaging material, which has created a backlog of Rs200 billion in refunds which the government has to pay back to the exporters.

Indeed, the withdrawal of the zero-rated facility will help the government collect Rs1,500-1700 billion, but eventually the government will have to refund that

amount to the exporters. "If the government could not refund 2%, how will it be able to refund 18%?" he asked.

So far, the exporting industries are paying only 2% tax on the packaging material, which has created a backlog of Rs200b in refunds

All chambers of commerce in the country agreed with the idea that zero-rating should not be removed, said PHMA Chairman Javed Bilwani. "The government

is burdening us just to show increased revenue to the IMF. We will go against this decision and will take every legal step," he said.

"The government claims to be improving the ease of doing business and reducing the cost of business, however, this decision is not in accordance with this policy," commented KCCI President Junaid Esmail Makda.

The government has made a target of 34% increase in tax revenue this year, which has never happened in Pakistan's history, he said. "In pursuance of this impractical target, the government is extracting money by hook or by crook."

Textile sectors reject govt's move of discontinuing zero-rated status

RECORDER REPORT

KARACHI: A scores of value-added textile sectors on Tuesday rejected the government's decision to discontinue the zero-rated status of five export-oriented sectors, warning that the move will unleash flight of capital, destruction on manufacturing and huge unemployment in the country.

Addressing a joint press conference at the PHMA House, chairmen of all value-added textile manufacturers and exports associations feared the already subdued exports sectors will further nosedive into financial troubles as a result the nation will suffer huge foreign exchange loss and unemployment.

They also warned that the discontinuation of the zero-rated status of the exports sectors lead to a corruption in connivance with "dubious" FBR officials under the mode of flying invoices, over invoicing, frauds in refunds and such other tactics.

Further, they said, significant volumes of liquidity being stuck in form of sales tax refunds will also slow down export growth severely. They said that the country's exports are likely to scale down in next months.

"More than 200 billion rupees of exporters in refunds of sales tax, customs rebate, withholding tax, DLT & DDT are already held up with government. They also con-

veyed serious apprehension on proposed abolition of final tax regime (FTR) for exporters," the exporters said, calling collection of sales tax and then refunding a 'futile exercise', saying that such a practice rather results in hassles for exporters and giving rise to corruption.

"No collection and no refund of sales tax from five zero rated export sectors is a tried and tested formula for increasing revenue and exports. We must not forget that during last two decades the government had tried to undo zero rating twice but miserably failed, hence, zero rating was reintroduced. The zero-rated scheme, in consultation with stakeholders, can further be improved for much better outcome," they demanded.

They said that the government should focus on energy growth instead first collecting taxes and then releasing them in refunds.

Besides, the government should also step up a solid plan to increase the taxpayers' base to help the country overcome its monetary deficits. "According to FBR, in year 2017 number of active taxpayers was only 1.13 million only (0.51 percent of total population)," the value-added textile sector representatives said.

The government's attempt to collect interest free money in shape of sales tax will put the country's export at stake.

"Today, in this period of worst economic crisis, can we afford to do away with zero rated status for the five exports oriented industries?" they said and cautioned that "if the zero-rating scheme is discontinued, a 30 percent of the export will decline in first year".

Pakistan rupee has already lost its value against dollar approximately 20.16 percent from 123.6 to 149.07 in just nine months, they said, adding that such a state of affairs will also give an increase to the cost of machinery imports for the exports sectors. "The textile exporters will be aggrieved in case of BMR because machines are delivered in 6 to 8 months and cost of machinery is increased to 20 percent during the period," they said.

The Federation of Pakistan Chambers of Commerce & Industry, Karachi Chamber of Commerce & Industry, Lahore Chamber of Commerce & Industry, Faisalabad Chamber of Commerce & Industry & Sialkot Chamber of Commerce & Industry have also supported the stance and demand of Value Added Export Sector Associations to continue zero-rating scheme for the betterment of economy and export enhancement.

Those participated in the joint press conference included: The Chairmen and Representatives of Council of All Pakistan Textile Mills Associations, Pakistan

Apparel Forum, Pakistan Hosiery Manufacturers & Exporters Association, Pakistan Textile Exporters Association, Pakistan Bedwear Exporters Association, Towel Manufacturers Association of Pakistan, Pakistan Cloth Merchant Association, Pakistan Knitwear and Sweater Exporters Association, Pakistan Denim Manufacturers & Exporters Association, All Pakistan Textile Processing Mills Association, Pakistan Readymade Garment Manufacturers & Exporter Association, Pakistan Cotton Fashion Apparels Manufacturers & Exporters Association, The Surgical Instrument Manufacturers Association of Pakistan, Pakistan Leather Garments Manufacturers & Exporters Association, Pakistan Tanners Association, Pakistan Sports Goods Manufacturers & Exporters Association, Pakistan Carpet Manufacturers & Exporters Association, All Pakistan Bedsheets & Upholstery Manufacturers Association have fervently appealed to continue the zero-rating scheme in the national interest to uplift exports. The five zero rated sectors are already documented and contribute 70 percent of total nation's exports and generate 50 percent of total nation's employment.

زیورینٹنگ ختم کرنے سے تباہ کن اثرات ہوں گے ویلیو ایڈڈ ایکسپورٹ ایسوسی ایشن

معاهدے کے تحت برآمدات بڑھانے کی ضرورت ہے اور یہ وقت تجربہ کرنے کا نہیں ہے۔ انھوں نے کہا کہ برآمد کنندگان کے 200 ارب سے زائد کے ریفرنڈز پھنسے ہوئے ہیں اور حکومت کے پاس ادائیگی کے لئے پیسے نہیں ہیں اس لئے 3 سالہ مدت کے لئے بانڈز ایکسپورٹرز کو جاری کیے گئے ہیں۔ پاکستان اپریل فورم اور پاکستان ہوزری میونیٹرنگ ریز ایڈڈ ایکسپورٹرز ایسوسی ایشن کے چیئرمین جاوید بلوانی نے کہا کہ ملک بھر کے چیئرمینز آف کامرس اور برآمدی ایسوسی ایشنز نے متفقہ طور پر زیورینٹنگ ختم کرنے کی مخالفت کی ہے۔ ٹیکس لینا اور پھر واپس کرنا فضول کام ہے جس کا اعتراف حکومتی منیجرز کرتے رہے ہیں۔ حکومت آئی ایم ایف کو بڑھا ہوا ریونیو دکھانے کے لئے برآمدات کو برباد کرنے پر تل گئی ہے۔ ہر سطح پر زیورینٹنگ ختم کرنے کے خلاف مرحلہ وار احتجاج کریں گے۔ کراچی چیئرمینز آف کامرس ایڈڈ انڈسٹری کے صدر جنید ماکڈانے کہا کہ حکومت صنعتوں کی پیداواری لاگت کو کم کرنے اور کاروبار میں آسانی کیلئے قابل تحسین اقدامات کر رہی ہے مگر اب جو اقدامات کئے جا رہے ہیں جو اس بہترین پالیسی کے متضاد ہیں۔ زیورینٹنگ ختم کرنے سے کرپشن کی راہیں کھل جائیں گی۔ لیڈریکٹر کے رہنما فواد اعجاز خان نے کہا کہ حکومت نے ساڑھے پانچ ہزار ارب روپے ٹیکس وصولی کا حدف مقرر کیا ہے جو 34 فیصد ہے۔ پچھلے 70 سال کے دوران کسی ایک سال میں بھی ٹیکس آمدنی کی اتنی افزائش نہیں ہو سکی ہے۔ حکومت اس حدف کی وجہ سے ہر جگہ سے پیسے لینا چاہتی ہے جس کے بھیانک نتائج برآمد ہوں گے اور سب سے زیادہ لیڈریکٹر متاثر ہوگا جسے بینکوں نے پہلے ہی منفی لسٹ میں ڈالا ہوا ہے۔ پریس کانفرنس میں ویلیو ایڈڈ ایکسپورٹ سیکٹر کے رہنما عارف لاکھانی، ثاقب بلوانی، باہر خان، رفیق گوڈیل، اسلم کارساز، خواجہ عثمان، شیخ شفیق، کامران چاندنہ، ریاض احمد اور عبدالجبار گاجیانی بھی موجود تھے۔

کراچی (کامرس رپورٹر) پانچ برآمدی سیکٹرز سے زیورینٹنگ ختم کرنے سے برآمدات پر تباہ کن اثرات مرتب ہوں گے۔ برآمدی صنعتیں ٹھپ ہو جائیں گی، سرمایہ ملک سے باہر منتقل ہو جائے گا، حکومت کو زرمبادلہ کی کمی کا زبردست نقصان ہوگا اور بے روزگاری میں غیر معمولی اضافہ ہو جائے گا۔ یہ باتیں ویلیو ایڈڈ ایکسپورٹ ایسوسی ایشنز کے چیئرمینوں نے منگل کو مشترکہ پریس کانفرنس سے خطاب کے دوران کہیں۔ کونسل آف آل پاکستان ٹیکسٹائل ایسوسی ایشنز کے چیئرمین زبیر موتی والا نے کہا کہ حکومت اپنے کیش فلو کے لئے برآمد کنندگان سے 1500 سے 1800 ارب روپے وصول کرنے کی غرض سے زیورینٹنگ ختم کر رہی ہے جس کے برآمدات پر انتہائی منفی اثرات مرتب ہوں گے اور برآمدات میں 30 فیصد کمی ہو سکتی ہے۔ انھوں نے کہا کہ قرضوں کی شرح سود بڑھنے سے برآمدی صنعتوں کی پیداواری لاگت بڑھ گئی ہے کیونکہ برآمدات میں 60 فیصد درآمدی مال استعمال ہوتا ہے۔ زیورینٹنگ ختم ہونے سے برآمد کنندگان شدید مالی بحران کا شکار ہو جائیں گے اور بینکوں سے 14 سے 15 فیصد سود پر قرضے لیں گے جس سے پیداواری لاگت میں مزید اضافہ ہوگا۔ انھوں نے کہا کہ تجارت و ٹیکسٹائل کے وفاقی مشیر عبدالرزاق داؤد نے کہا ہے کہ ان کے خیال میں پانچ برآمدی سیکٹرز سے زیورینٹنگ ختم نہیں ہونی چاہئے۔ حکومت کو اپنے تجارت کے مشیر کی بات کا بھرم رکھنا چاہئے۔ انھوں نے کہا کہ حکومت کی جانب سے حکومت کی جانب سے کیس اور بجلی میں رعایت دینے اور ڈالر کی قدر بڑھنے سے رواں سال 24 تا 25 ارب کی برآمدات ہوں گی اور اگلے سال برآمدات 30 ارب ڈالر تک جاسکتی ہیں۔ انھوں نے کہا کہ ماضی میں 2 مرتبہ زیورینٹنگ ختم کرنے کے ناکام تجربے کئے گئے ہیں مگر بے لگام کرپشن کے علاوہ کچھ حاصل نہ ہوا۔ اس وقت آئی ایم ایف سے کئے گئے