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Textile exporters 'unimpressed' after meeting PM: industry sources

Premier, Imran Khan on Wednesday passed the buck to his economic advisors to heed upon textile sector's clamour but exporters went out of the meeting 'unimpressed', according to industry sources.

After a discussion with Imran Khan and his economic team at the Sindh Governor House, the meeting participants anonymously told Business Recorder that the textile exporters are unclear whether their views helped the government understand the crisis the industry is faced with following the budget 2019-20 taxation measures.

Textile sector representatives highlighted their problems in a discussion with the premier and recommended steps to avoid exports fall and earn more foreign exchange without challenges, the industry sources said, adding that the meeting was however still confusing whether they will find any solutions despite the stiff imposition of the sales tax at 17 percent.

Exporters made it clear that the GST at 17 percent on exports will scuttle the existing manufacturing units of the country, which they requested for a revision. "We made it clear that why we are being victimised for the unregistered retail commercial sector," they said, adding that exporters are already on the FBR's tax list and paying taxes as per the rules.

"We are tired," from years after years of efforts to convince the incumbent government of the problems the textile sector is facing from taxation and refund policies, they said, adding that the exporters however ended up with no much expectations for relief from the FBR and Finance Ministry. The exporters wanted the government to revisit its 'indiscriminate' taxation policy that is feared to ravage the export sector, according to them.

The premier has asked Hafeez Shaikh, Federal Finance Advisor, to hold another meeting to hear the clamouring textile sector problems. However, it is still unclear whether Hafeez Shaikh will reconsider the budgetary taxation measures including the 17 percent GST. "Exporters are disappointed and cannot pin more hopes on the government for their problems resolutions. Let's see what happens next," the participants said.

In a presentation, textile sector highlighted their problems that buyers are going without striking deals with the local exporters since the budget has shaken up the entire business environment for them. They also placed recommendations to boost up the country's falling exports with a 'better approach' by the government to place a practical system to ensure timely and hustle free refunds to the exporters.

They requested to the premier to scale down the sales tax to a 'humble' percentage, which will help the government gain exporters' confidence. In a presentation, they also demanded that the Export Oriented Unit (EOU) facility should be improved to make SMEs friendly through issuance of licenses by Textile Division, Ministry of Commerce and Textile.

In addition, they said, after research, new systems should be introduced and implemented to facilitate exporters in Sales Tax Regime. Standard Purchase Orders (SPOs) for indirect exporters should also be improved to help the SMEs. Government should evolve new pragmatic policies to help facilitate exporters to augment exports keeping in view the Bangladesh model.

Utilities including gas and electricity tariffs for export industries should be frozen for at least two years period. Exporters are facing uncertainty to negotiate and finalise new export orders due to continuous fluctuation in exchange rates, therefore the government should provide a mechanism to the exporters in this regard.

Gas tariff was Rs600 per MMBTU but grew to Rs786 after the 17 percent sales tax imposition. Electricity was being supplied at Rs7.5 cents a kwh which increased to Rs8.3 cents/kwh for Karachi based industry after the budget taxation measures. However, elsewhere in the country, the power tariff is still Rs7.5 cents per kwh, according to the meeting details.

The presentation said that the SRO-1125 withdrawal triggered 17 percent sales tax at every stage that is feared to block the exporters' liquidity and increase cost of manufacturing, besides leaving the local textile sector uncompetitive on the world market. It also pointed out that interest rate has already been increased to 14 percent. Before the budget 2019-20, import of textile machinery and plants were at zero duty but now the industry will pay 20 percent tax.

ANWAR KHAN