

### **Exporters begin opening CDC accounts to get refund bonds**

LAHORE: Only around a third of 600 exporters have so far opened their accounts with the Central Depository Company (CDC) for getting the refunds of their long-standing sales tax claims in the form of Refund Bonds against their unpaid Refund Payment Orders (RPOs) issued by the Federal Board of Revenue (FBR).

Earlier this year, former finance minister Asad Umar had made the commitment to settle sales tax refund claims of exporters who had already been issued RPOs through the Refund Bonds that can be encashed, sold, and pledged with the banks for obtaining loans.

The bonds carry an annual return of 10 per cent and have been issued because the government does not have enough cash to clear the sales tax refund dues of exporters.

It is not clear if the payments being made to the sales tax claimants will show up under the head of domestic public borrowing or not.

The bonds are being issued to only those claimants who have valid RPOs, are willing to accept payments through this debt instrument and have opened an account with the CDC.

The initiative was taken subsequent to the approval of amendments in Supplementary (Second Amendment) Act, 2019.

The government has so far settled claims worth Rs7 billion of 90 sales tax refund claimants out of the 200 exporters who have opened their sub accounts or investor accounts with the CDC.

The government expects refund claim disbursements being made through the CDC to help ensure transparency in the payment of refunds.

In a telephonic conversation with Dawn, a Karachi-based CDC official said the government planned to settle approximately refund claims between Rs40bn and Rs60bn through this scheme.

‘The FBR has finalised around 600 refund claimants who can get the sales tax refund payments through the bonds. The CDC has already facilitated payment of Rs7bn to 90 businesses who have opened their accounts with the company,’ he said.

The CDC official said the issuance of these Refund Bonds in book entry form through the central depository system (CDS) will also help create ease of doing business for claimants as the Refund Bonds are being issued electronically in the system and there will be no paper or certificate issued.

‘The claimants may just log in to the CDC web system and confirm that their Refund Bonds have been credited. In addition to this, the financing against Refund Bonds by the banks will also be very simple and efficient as banks are already using CDC system and providing financing against different type of securities worth millions of rupees on daily basis,’ the CDC official said.

`The claimant only need to go to the bank and give their CDC account number and the bank will retrieve all the information on real time basis from the CDC system through CDC Pledge functionality and create a charge against these Refund Bonds with a simple click of the button.

He said in order to facilitate the claimants the CDC has established facilitation desks at RTO Faisalabad and Multan in addition to the services extended from its offices in Karachi, Lahore and Islamabad.

By Nasir Jamal