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With zero-rating gone, most of the industrialists feel betrayed

LAHORE: Budget was a bitter pill for most of the businessmen and some are finding it difficult to swallow it. The withdrawal of zero-rated facility dismayed the exporters, while cement, carbonated beverages, and steel prices are set to rise.

It is interesting to note that the main leadership of All Pakistan Textile Mills Association is on vacation outside Pakistan. Probably they knew what was coming and wanted to avoid criticising the government.

Mian Anjum Nisar a textile mills, who watched the budget speech at Lahore Chamber of Commerce (LCCI) and Industry, was dismayed on withdrawal of zero-rating facility. He said despite firm assurance by minister of revenue it would be an uphill task to get refund of 17 percent sales tax from Federal Board of Revenue (FBR). He said the textile sector would be ruined as a result of this step.

Shaid Hasan Shaikh, a leading carpet exporter, said the carpet exports had been on the decline for the last many years. “The industry was operated by artisans of top order and after the withdrawal of zero-rating facility hand-made carpets will become a relic,” Shaikh said lamenting. He said there was no domestic market for hand-knotted carpets. “These handicrafts are meant for exports only,” he added.

Almas Hyder, president LCCI, saw some positive points in the budget. He is on the Businessmen Advisory Panel of the Prime Minister and chairman Engineering Development Board. Hyder termed the budget as balanced. “The zero-rating of duties on 1600 items including raw materials will reduce the cost of doing business,” he said adding it was a very good step and was a joint proposal of all chambers of commerce and industry of the country. Lauding increase in minimum wages, crop insurance, and cut in the salaries of the cabinet, Hyder said after good reforms, current account deficit would reduce from $12 billion to $7 billion.

On the other hand, Pakistan Hosiery Manufacturers Association (PHMA) rejected 17 percent sales tax on exporting industries like textiles, leather, carpet, surgical, and sports in the federal budget 2019-20, expressing serious concern over the withdrawal of zero-rated facility at a time when refund claims of Rs300 billion were already stuck with the government.

During a meeting at his office, Adil Butt, chairman PHMA, in a statement said withdrawal of sales tax zero-rating regime for key five sectors, announced in the budget, would adversely impact the country’s exports, which were already facing many challenges. The meeting was also attended by the PHMA members and noted industrialists and major textile exporters including Naseer Butt, Sheikh Zafar Mahmood, and Abdul Hameed.

The increase in Federal Excise Duty on different -from 1000 to 2000 cc- cars was probably imposed after consultation with the industry players. This probably was the reason that Syed Nabeel Hashmi, the former chairman Pakistan Association of Auto Parts and Accessories Manufacturers, opined that the market had the ability to absorb the increase in prices.

Iftikhar Ali Malik, former president LCCI, who is currently vice chairman SAARC chamber said prices of daily used items would increase as a result of some budgetary measures. Some businesses, he said, would benefit but some would come under severe pressure. Malik said removal of duties on 1600 raw materials would benefit both domestic and exporting industries. Welcoming increase in sales tax on carbonated beverages, Malik lamented the increase in sugar prices as it would hit the poor.

Farooq Iftikhar, chairman LPG producers association, hoped that the present government would be able to manage the economy better in its second year. However, Iftikhar warned that the people and the businesses would face extreme hardship because of various measures announced in this budget.

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