

KCA opposes proposal of imposing 10 percent GST on raw cotton

The Karachi Cotton Association strongly opposes the proposal of the Government to impose 10 percent sales tax on raw cotton at local stage in the Federal Budget 2019-20 with a view to generate its revenue.

The KCA has always strongly opposed the proposal to impose Sales Tax on raw cotton, as it discourages production and inhibits the smooth flow of exports and runs counter to the laid down Government policy of encouraging cotton trade in the country.

The KCA is of the view that any hindrance in the smooth exports of cotton will also prevent the growers from getting a fair price for their produce, which is a key objective of the Government.

It may be realized by the government that nearly 80 percent-85 percent of the Cotton Crop is exported in the form of Raw Cotton, Cotton Yarn, Cotton Fabrics, Garments and Cotton made-ups and Sales Tax, if levied on Raw Cotton, would be refundable thereon at the export stage.

Taking into consideration, substantial expenses involved in Tax collection, administration and in the refund process, the balance available amount to the Government would be comparatively insignificant.

It may also be realized that Exporters of Raw Cotton usually operate on narrow margins. Hence, they cannot afford to keep substantial borrowed amounts struck-up by way of payment and refund of Sales Tax for a 6-7 months, or even longer, as was the case in the past.

Due to delay in refund of Sales Tax, serious liquidity problems would be created for the cotton exporters resulting in exports of cotton would adversely suffer and compromise the interests of the cotton Growers and Ginners.

The KCA, therefore, strongly urges the government not to impose Sales Tax on Raw Cotton in the Federal Budget 2019-20 and keep Raw Cotton exempted from the Sales Tax in order to avoid adverse repercussions for all stakeholders and the general public.

The KCA also urges upon the Government not to re-enforce duties and taxes on import of Raw Cotton w.e.f. 01-07-2019 so that the local textile industry can continue meet its requirement of Raw Cotton and export optimum quantity of value added products of Raw Cotton in the international market to earn much needed foreign exchange for the country.-PR

RECORDER REPORT