

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

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, DLTL & DDT are already held up with government. They also conveyed 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.

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