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Rs100bIn added to stuck-up sales tax refunds in 4 months

KARACHI: Stuck sales tax refunds have piled up to Rs100 billion since the government withdrew zero-rated tax regime four months back, creating adverse financial crisis for textile exporters, a trade body chief said on Tuesday.

Pakistan Apparel Forum Chairman Jawed Bilwani said more than 40 units have been closed, as government contrary to the claims failed to issue sales tax refunds, which only in the last four months piled up to Rs100 billion

“A large number of our members have stopped taking export orders, while other associations have also reported similar situation,” Bilwani said, addressing a joint press conference of value-added textile exporter associations. “There would be a sudden and significant decline in exports in the coming months only because of wrong policies of the government.”

The entire textile sector is suffering due to severe liquidity crunch, wherein the export-oriented industrial units are shutting down and textile millers are unable to meet their operating expenses.

Contrary to the claims of government to expeditiously process and make payments against refund claims, sales tax refund claims have reached Rs350 billion, of which Rs100 billion had been accumulated since the government ended sales tax zero-rate regime. Bilwani said Prime Minister Imran Khan and the entire finance team had made this commitment that exporters would be issued refunds within 72 hours of filing of export goods declaration.

But, the Federal Board of Revenue then came up with a Faster module to deal with the exporters’ sales tax refunds. “The Faster module has miserably failed and the authorities are in no mood to release our money,” he added.

Talking about the bonds issued by the government against sales tax refunds, Bilwani said these were absolutely useless as no bank was en-cashing them. “Based on our experience we were convinced that the refunds would not be released – which is why we have been demanding ‘no payment no refund’ system.” “It is seems that Finance Minister Hafeez Sheikh, Revenue Minister Hammad Azhar, Chairman FBR Shabbar Zaidi and Governor SBP Reza Baqir are intentionally discouraging exports to fulfill some kind of IMF’s agenda,” Bilwani said.

The trade body’s chief said Pakistan could have taken advantage of trade conflict between China and US, “but due to wrong government policies, we missed this opportunity and our competitors like India, Vietnam and Bangladesh made the most of it.”

Pakistan Cloth Merchants Association Chairman Ahmed Chinoy said the working capital of exporters is stuck with the government and there is no mechanism in place to release the

fund. “Due to wrong policies of the government, the export growth is turning negative, which will be reflected on trade balance as well as current account balance.”

The value-added textile exporters demanded of the government to re-implement the ‘no payment no refund’ system to facilitate the exporters. They said if the zero-rated regime is restored and industrial units are provided with uninterrupted utilities there could be a 10 percent growth in exports every year. Meanwhile, All Pakistan Textile Mills Association President Amanullah Qasim said the exporters are facing a ‘brutal’ liquidity crunch.

“If the refunds are not released forthwith, the industry would not be able to continue operations,” Qasim said in a separate press conference. “We would not be able to pay employees and make payments of utility bills this month”.

Aptma demanded of the government to restore the sales tax zero rating regime to save the textile sector from total collapse.