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### **Bedwear exporters voice concern over rejection of ST claims**

ISLAMABAD: Exporters of bedwear have expressed serious concern over rejection of the sales tax refund claims processed by the Federal Board of Revenue (FBR) through Risk Management System (RMS) instead of FASTER.

In a communication to FBR Chairman Shabbar Zaidi, Chairman Pakistan Bedwear Exporters Association Shabir Ahmed, while strongly criticizing FBR's scheme, said that the members have complained that their sales tax refund claims for the month of July 2019 have been rejected by the FBR which were processed by the RMS.

Exporters have received refund rejection advices from the FBR with the observation, "higher value of packing materials". Now, the exporters have to submit all original documents to concerned Regional Tax Offices (RTOs) where their claims would be processed manually.

It is regretted that the FBR has still not made counters in the concerned RTOs for submitting documents to process their rejected refund claims. The said rejection and non-payment is affecting the exporters' working capital. The matter should be examined seriously as four months have already been passed but exporters still not received sales tax refunds for the period of July 2019, Shabir Ahmed added.

A tax expert informed that different decisions relating to the sales tax were taken in a meeting chaired by FBR Chairman Shabbar Zaidi on November 7, 2019.

The meeting was held with the industry representatives at FBR House in chair of FBR chairman to simplify H form issues and to resolve other related issues and consider any alternative system to the current system.

#### **Decisions taken at the meeting were:-**

1. Payment of pending Rs 2 billion RPOs will be made immediately as committed by then finance minister.
2. Deductions on account of sales tax deposited/ paid by industry on cotton purchase would not be made if the ginner failed to submit the Sales Tax returns. Any deductions already made on this account would be corrected and adjusted in the next return as long as industry had proof that they had deposited/ paid the sales tax.
3. That the nomenclature in form H would be allowed to be modified by the industry to enable the matching of terminology of the other parties so that Sales Tax returns are not rejected on this account. This modification of the system would be made in the electronic system by 9th November 2019.

4. That FBR would circulate a user guide on the new WEBOC system to all the registered concerns by 11th November 2019
5. Sales Tax thresholds for various types of exported products have been calculated by the industry.
6. That FBR would make a disclosure of Sales Tax Refund thresholds after modification.
7. That all the pending Sales Tax Returns, rejected or in process for July, August and September would be passed through the system after relaxing the thresholds which currently were only 4-5% of export value but were inadequate as evidenced above and resulted in rejections.
8. That the Annex H will be modified to accommodate the following changes: a) Simplified list of variable (LOV) including following market terminologies will be introduced: Sizing, Yarn Dyeing, Yarn Doubling, Weaving, Knitting, Processing (Bleaching, Dyeing and Printing), Stitching, Embroidery. The existing Annex-H requires the data to be as per H.S code, Unit of Measurement (UOM) and rate of tax. First four columns are unique i.e. H.S Code; Unit of Measurement; Type and Sales Tax Rate Since there are entries in each H.S Code, therefore such restrictions will be removed immediately.
9. That the government is considering a scheme which would alleviate the cash flow issues and that such detail of the scheme would be announced within the next 10 days.
10. Import data of customs on DTRE, Bond etc not being picked up by the WEBOC system and is currently causing distortions in the benchmarks etc for the past 8 months. FBR committed to correct this by November 15, 2019.