

# APTMA rejects consumption based tax refund policy

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ISLAMABAD: Textile industry of the country has raised the red flag on new change unfolding that the refund system has been moved to a consumption based refund policy rather than an input based monthly sales tax return on input based system.

This system is just unacceptable, as it will erase out the liquidity for the industry amounting to Rs300 billion as the same amount to remain stuck with the government all the time. And if the new system is allowed to continue, the industry will be destroyed because of the non-availability of the liquidity.

This has been communicated by APTMA in its letter written on Monday (October 17, 2019) to Mr Razzak Dawood, Adviser to Prime Minister on Commerce, Textile, Industry & Production and Investment. APTMA wants his intervention for elimination of the new change in tax refund mechanism as consumption based refund policy is detrimental for the industry.

Adviser to APTMA, Shahid Sattar told The News that the new change in the refund system will ensure the liquidity amounting to Rs300 billion will continue to be with the government all the time as under new system, refunds claims will be submitted only when the export of the textile products is taken place.

This is to deprive the industry of liquidity of Rs300 billion all the time as the industry will have nothing to spend on industrial activities. This will ruin the industry.

APTMA letter written to adviser to prime minister also available with The News says that the refund system has been moved to a consumption based refund policy rather than an input based monthly sales tax return on input based system.

The policy will permanently transfer approximately 5-6 month value of input on materials from industry to the coffers of FBR. And the total value of sales tax collection is estimated to be Rs600 billion annually, this means Rs250 billion.

In addition, the fastest system is currently processing only 42 percent of the claims made, the rest being referred to the old star system of verification. This will further delay refunds of over Rs50 billion taking the total transfer from industry to FBR to Rs300 billion.

The letter also suggests the very simple way to verify claims is to request FBR to provide the sales tax collected for the first three months and the refunds made pertaining to this period only.

This is necessary to include the refunds made for early periods and the irony is that the bulk of those were also made the bonds which were worthless and which position we understand FBR is correcting, mentions the APTMA letter.