

Special taxation measures stressed to support textile sector's competitiveness amid Covid-19

Islamabad: The facilitation and appropriate taxation measures could play instrumental role in enhancing the competitiveness of the textile business and to boost exports in this crucial sector of the economy.

This was the crux of the thoughts shared by experts from both public and private sectors during an online consultative dialogue organised by the Sustainable Development Policy Institute (SDPI) here on Tuesday.

World Bank Programme Lead for Growth, Finance and Institutions Clelia Rontoyanni, while highlighting various aspects of support competitiveness in textile businesses, said that FBR has potential to support exporters in these difficult times.

She said during the recent past, several new measures have been introduced by FBR including reduction in GST rates, customs duties and ease in filing tax returns that may help in improved cash flows of exporters.

"Tax authorities need to realize that two-third of imports are inputs for the manufacturing sector, and therefore, tariffs on inputs should be lowered," she said. She said tax system should be predictable and responsive to the needs of the private sector.

Former member of the Federal Board of Revenue Muhammad Raza Baqir said the textile sector was transitioning towards value added items. He said COVID-19 pandemic had adversely impacted textile sector, hence, measures should be taken to facilitate the sector to overcome this unprecedented situation.

Likewise, he said, the utilisation period of export schemes could be extended until June 2021 in view of Covid19. "The rules of FBR export schemes such as DTRE were introduced almost two decades back, and hence, there is a need for complete revision," he said.

Former FBR member Raana Ahmed suggested that in view of Covid19, the FBR consider relaxing burden of direct taxes on the textile sector. She said that the current tax policy formulation process is weak and capacity for in-depth research in FBR seems lacking. The fiscal policy unit at Finance Division needs to be well capacitated and empowered. This unit should collaborate with policy think tanks.

Dr Vaqar Ahmed, Joint Executive Director, SDPI, while moderating the consultative meeting, argued that the data regarding request for refunds should be made public and online as it would allow everyone to get a clear picture on the exporter's refunds and in case there are delays.

He said that FBR could beef up advocacy and outreach to help the private sector to become aware to avail export exemption schemes allowed for imports. "The pre-conditions to be eligible for such schemes at times, seem too harsh," Dr Ahmad said.

He noted that such pre-conditions often prevent small exporters to access this facility. "Modern and efficient tax systems require improved data and analytical capabilities and FBR needs to strengthen internal research capabilities."

He said the frequent change in FBR's leadership has hampered the process of public-private dialogue. Such unanticipated changes are a hindrance in sustainability of already initiated reforms by Government.

Sanaullah Abro, Director General Customs Risk Management at FBR, said several FBR schemes are there that allow textile exporter to conduct tax free operations. Besides, several imported items have been allowed exemption from additional customs duty and FBR's planned National Single Window programme will lead to reduction in regulatory burden, he added.

Executive Director & and Secretary General of APTMA Shahid Sattar said the automation measures at FBR is yet to provide any ease to exporters. Moreover, the issues pertaining to irrational pre-conditions to claim refunds should be resolved, he said.