

Textile sector frets over unsettled refunds, demands 4pc GST

KARACHI: Value-added textile sector on Saturday pleaded the authorities to reduce general sales tax rate to four percent if it wants to keep it intact rather than restoring a viable no-payment-no-refund policy as they say outstanding tax refunds reached billions of rupees.

Pakistan Hosiery Manufacturers and Exporters Association (PHMA) on Saturday demanded the government to release complete refunds upfront on the stage submission of goods declaration, and restore zero-rating or reduce general sales tax to 4 percent from 17 percent.

"Else, the government will be held completely responsible for closure of industries, flight of capital, massive unemployment which will not be in the interest of the country," said Salamat Ali, central chairman of PHMA. "Anti-export moves of the government left exporters in the middle of nowhere. Textile exporters are annoyed and distressed in the wake of highest ever liquidity crunch being faced due to imposition of 17 percent general sales tax and refunds are excessively delayed by the government without any justification."

PHMA chairman said exporters are apprehensive about the fate of their refunds of income tax, customs rebate and duty drawback. Successive governments used to hold adjustable tax funds back to accumulate their revenue figures, guiding fiscal statistics.

"Five export-oriented sectors have been highly aggrieved due to imposition of 17 percent sales tax on exports, which government imposed in the last budget with a view to collect sales tax on domestic sales of textiles," Ali said. "This move penalised the export sector as their precious liquidity in shape of sales tax refund was held unreasonably with government, which also caused disruption in enhancement of exports."

Trade deficit narrowed 27.1 percent to \$23.1 billion in the last fiscal year of 2019/20, but the reduction was mainly caused by suppressing imports rather than export sector's recovery. Exports declined 6.8 percent to \$21.3 billion, whereas imports sharply fell 18.6 percent to \$44.5 billion during the last fiscal year.

Analysts said government attributed declining exports to the pandemic, but even if its impact on two months is neglected exports would show a flat growth year-over-year. Exports amounted to \$22.9 billion in FY2019. June exports recovered 14 percent month-on-month as partial ease in lockdown presented a low-base effect opportunity and decreased 6.5 percent year-on-year,

Ali said a widespread dissatisfaction is prevailing in the textile industry and exporters are facing extreme unrest and anxiety as the government has completely disregarded the major demands and recommendations of the export sector. The textile export sector is backbone of the economy and exports, a most labour-intensive sector, also provide massive urban employment to female workers and particularly low-income group in garments units. Textile Industry supports more than 40 allied industries. "Ignoring value-added textile sector means that government is closing eyes wide shut towards stakeholders who contribute more than 60 percent to exports."