Govt tells export industry: No restoration of zero-rating regime

thenews.com.pk/print/668771-govt-tells-export-industry-no-restoration-of-zero-rating-regime

ISLAMABAD: The PTI government that ostensibly took many steps for increase in exports has refused to restore the zero rating.

Government's financial managers have agreed on bringing down sales tax rate from 17 percent to 12 percent. The government has also agreed to allocate Rs20 billion subsidy in next budget 2020-21 for keeping the RLNG rate at $6.5 per MMBTU and electricity tariff at 7.5 cents of unit for next budgetary year.

The financial managers team headed by Dr Hafeez Shaikh, Adviser to PM on Finance and Revenue, in a meeting held here on Thursday with exporters of the country came up with this response when the export industry representatives put their budgetary proposals asking for restoration of zero rating regime or reduction of sales tax to 5 percent across the value chain, a senior official who was part of the meeting told The News.

"However, there are vivid indications that sales tax rate will ultimately be settled somewhere in single digit for export oriented industry as a result of more interactions between government and exporters of the country," the official claimed and added, "Razak Dawood, Adviser to PM on Commerce on Textile, visibly sided with the budgetary proposals of export industry during the Thursday meeting with Adviser to Finance and Revenue."

In the meeting, the official mentioned, textile industry also pleaded saying that for a textile sector that exports 80 percent of its products, collection of billions of sales tax by FBR is made and the process of refunding is not justified and is impractical as it causes huge liquidity crisis for the sector. However, FBR chairperson was highly critical and did not agree that this is causing liquidity crisis, but in the meeting, Razak Dawood was very supportive for restoration of zero rating regime. The industry also asked for immediate withdrawal of sales tax exemption on imports through Bond, EOU & DTRE schemes.

The textile industry representatives, in the meeting, also highlighted that RLNG at regionally competitive rates is not available for expansion and new projects, so it is serious bottleneck in the way of expansion and setting up of new greenfield projects and more importantly, the new system for enrolling new entrance for the regionally competitive energy rates is still not finalised by the ministry.

Urgent resolution of this matter is needed. In return to this proposal, the government side in the meeting extended the assurance that the procedure for new entrants will be notified after ECC approval and to this effect the summary is ready.

The financial managers of the government have also principally agreed to the proposal of the industry for opening of the currently closed or sick textile units. The industry mentioned that there is a new scheme by the State Bank to enable the purchase of existing closed units at concessional rates on a debt equity rate of 70:30, which needs to allow the addition of capacity and export enhancement in a short time. In the meeting, textile industry also pitched its proposal asking for reduction of turnover tax to 0.5 percent, but FBR officials in the meeting opposed to the proposal. However, Adviser to PM on Commerce and Textile supported the proposal.

When the industry raised the issue of refunds due under TUFF 2009-15, the government side assured that the said refunds will be released in July next.

About the proposal Integration of Export Oriented Schemes namely DTRE, Manufacturing Bond and EOU, the government side said that this proposal is in under active consideration of FBR.