

Impediments to export growth — II

Although refunds are started releasing in November and early December and the situation gradually improved but the damage has already been done. Exporters are always worried about if and when they will get their refunds. The FBR personnel dealing with export refunds have been shuffled a number of times due to which uncertainty prevails. With these uncertainties and the precarious financial conditions of exporters it becomes difficult for them to start pushing their products again.

The rules of the game are such that the deck is loaded against the average exporter. He is keen to export and make profits due to the advantage of favourable exchange rate but he needs a huge amount of cash at his command to keep his old export quantum. The rules are such refunds for the month of January have to be applied for not before the 15th of February. In case the suppliers from where he puts his buy orders have not submitted the sales tax recovered from him, his application have to be rejected. So the exporter has to make sure that all his suppliers have deposited their sales tax obligations. Some are prompt but some are under stress – so very often they are delayed in paying their obligations especially as there is no great penalty for the delayed payments. An exporter considers himself lucky if he is able to complete his application for January by end March. If all goes well, he may get his refund by end April. So the tax deducted in January may get back to him three months later at best. If luck doesn't side with him and a tax review like 31st December or 30th June is approaching then refunds are suspended to make the tax collected figures look better. At the rate of 13 percent per month his 40 to 50 percent working capital is now tied up in refunds. It is clear most firms are unable to sustain normal operations – forget about enhancing exports.

Considering that the five value-added textiles, garments, knits, made-ups, home and bath textiles exports are worth a billion dollar a year fully 500 million dollars of theirs is with the tax authorities. In fact the figure is higher and the uncertainty must be added to all this.

Surely a better system has to be devised to get the refunds to the exporters if they are to flourish and improve their performance. If it is not improved exports will go down further.

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