

Purchase of locally-procured inputs, PBEA seeks exemption from sales tax, FED

KARACHI: Pakistan Bedwear Exporters Association has asked for exemption from sales tax and federal excise duty (FED) on buying of locally procured input goods by exporters operating under the Export Oriented Units and Small and Medium Enterprises. The Federal Board of Revenue (FBR) vide SRO 747(I)/2019 dated 9th July 2019 had withdrawn the exemption from sales tax and federal excise duty on buying of locally procured input goods by exporters operating under export oriented units and Small and Medium Enterprises (SMEs) Rules 2008 in SRO 327 by omitting the sub-section (b) and (c) of clause 10 of the EOU Rules. PBEA in its budgetary proposal for the next fiscal year 2021, sent by Shabir Ahmed, Patron-In-Chief, PBEA, to Abdul Razak Dawood, Prime Minister's Advisor on Commerce, has demanded reinstatement of the omitted Sub-Section (b) and (c) of clause 10 of export oriented units and Small and Medium Enterprises rules, 2008 vide SRO 747(i)/2019 dated 9 July 2019.

Export Oriented Units (EOU) in SRO327 were introduced on the pattern of Export Processing Zone where there is no taxes on buying of locally procured input goods and no taxes on utilities industries registered in Export Oriented Units (EOU) are liable to export 80 percent of their annual production.

"We hereby request to reinstate the following omitted sub-section (b) and (c) of clause 10 of EOU Rules. We have fervently requested that FBR should consider and reinstate the omitted sub-section (b) and (c) of clause 10 of Export Oriented Units and Small and Medium Enterprises Rules, 2008 so that exporters operating under export oriented Units can procure local input goods without taxes and duties," he added.

Supply chain of textiles (Export Oriented Sector) plays a very important role in cost of our products which are being exported. Vendors who are working as in-direct exporters should also be allowed to avail the facilities being offered to exporters, PBEA suggested.

The association has also demanded duty free import of textile machinery to up-grade and also attract new industries and increase our production capacity, he added.

In addition, PBEA has also demanded duty free import of cotton and yarn to enable the industry to compete in export market. In addition, the Customs duty of 7 percent on import of Polyester Staple Fiber including a range of 20 percent antidumping duty should be abolished to reduce the cost of business.

Exporters are paying 0.25 percent on all exports and this increases their cost of production. Hence this cess should be withdrawn to reduce the tax burden on the industry, bedwear exporters suggested.

Shabir has mentioned in the proposals that the temporary import scheme is very complicated and lengthy, this scheme encourages direct exporters of intermediate goods. There is need to simplify this scheme so that the exporters can take full advantage of the same.

The current import of industrial spare parts is subject to 17 percent and 3 percent sales tax with 5.5 percent income tax. The import of spare parts should be duty free, PBEA suggested.

The association has asked that turnover tax should be abolished and also the supply chain of textiles (export oriented sector) may also be exempted.

PBEA has also demanded integration of FBR and provincial tax authorities to ease the tax system. After the 18th Amendment to the Constitution, provinces are collecting taxes on services. Services and goods are generally integral part of final product and now there is no procedure whereby FBR refunds or allow Tax adjustment of Tax paid to provinces and same is the case with provinces setup. This is creating some issues for taxpayers therefore there is a need of integration of FBR and provincial tax authorities.

Input sales tax should be allowed to sales tax registered person on building materials, office equipment, office furniture, vehicles and other goods use for business purposes, bedwear exporters demanded. In addition the supply chain of textiles should be treated as exporter and should be liable to half percent of withholding tax.

Shabir has asked the federal government that zero rating for textile sector should be restored with immediate effect and for domestic sales the Sales Tax should be collected at the point of Sales.

According to budgetary proposal withdrawal of zero rating SRO 1125(I)/2011 has created severe liquidity crisis for the export sector. While withdrawing the zero rating FBR claimed that the domestic sales consisted of 50 percent of tax industry output and somehow the industries were evading the sales tax on domestic sales.

PBEA has also urged for ease in SBP's technology up-gradation scheme (Long Term Financing Facility). LTFF is only available to the exporter who has exports of \$5.0 million in the last three years. "We need to increase our manufacturing capacity to increase exports; therefore, financing facility under this scheme should be made available for supply chain of textiles," Shabir said.