

Textile industry demands Rs100bln in stuck tax refunds

LAHORE/KARACHI: Textile industry on Wednesday urged the government to settle more than Rs100 billion in outstanding sales tax refunds, which are causing serious liquidity crunch for manufacturers and exporters.

Ali Ahsan, chairman of All Pakistan Textile Mills Association said current and deferred sales tax refunds are lying pending at various large taxpayer units (LTUs) and regional tax offices (RTOs) mainly due to the cross-matching of invoices.

“The FBR (Federal Board of Revenue) should issue directions to all the LTUs and the RTOs for expeditious processing of refunds and subsequent payments against the refund payment orders issued in order to save industry facing the threat of being declared as defaulter,” Ahsan said in a statement.

“Banks are already reluctant to revise (financing) limits of companies as per the increased cotton rates.” Textile exporters said the government has not released a single rupee on account of duty drawback of taxes (DDT) and drawback of local taxes and levies (DLTL) since it came into power four months back.

Value-added textile exporters said the previous government released Rs32.18 billion on account of payment of DDT under the Prime Minister’s Trade Enhancement Package and DLTL claims under the textile policies of 2009/14 and 2014/19.

“The sitting government has not released a single rupee till date,” Jawed Bilwani, central chairman of Pakistan Hosiery Manufacturers and Exporters Association (PHMA) said in a separate statement.

“The new government has taken over charge for more than four months (and)

is busy in lip service, verbal announcements and photo sessions but no practical steps and measures have been taken yet to release the amount of claims of DDT and DLTL.”

Textile exports remained flat at \$5.506 billion during the first five months of the current fiscal year of 2018/19 as the value-added sector couldn’t perform up to the mark despite constant rupee devaluation against the US dollar. Rupee has lost a quarter of its value against the US dollar since December last year.

Bilwani said huge amount of exporters’ liquidity of billions of rupees in DDT and DLTL has been stuck with the government, causing great sufferings to the already-burdened exporters who couldn’t understand “how to make both ends meet and such an alarming situation will ruin the export business of the value-added textile exporters”.

“The government has not given any firm commitment to release DDT and DLTL claims,” he added. PHMA’s chairman further said billions of rupees in sales tax refund, customs rebates and withholding tax claims of exporters are also pending with the government.

“Value-added textile export sector is the backbone of Pakistan’s economy (and) earns major amount of foreign exchange and revenue for the government,” he added. “Besides, the sector is also labour-intensive and largest employment provider and generator. Value-added textile exporters are battling for their survival in the global market due to costly inputs and high cost of manufacturing.”

Bilwani demanded of the government to help the industry overcome the challenges, provide an enabling business environment and create a level-playing field for textile exporters. “It is crucial that the government should immediately release payment against DDT and DLT claims of textile exporters and accord priority to resolve the issues of textile exporters.”