

July-November: Payment of refunds to exporters shows 37 percent decrease

The settlement of pending refund claims of Rs 200 billion will have serious implications on the budget deficit which is expected to rise by 0.581 percent. Latest refund data compiled by the Federal Board of Revenue (FBR) revealed that the payment of refunds to exporters during July-November (2018-19) showed a decrease of 37 percent as compared to the same period of 2017-18.

The government is facing a significant revenue shortfall that is impeding the payment of pending sales tax refunds to the export sector in one go, sources told Business Recorder.

An official said the payment of refunds in one installment would increase the budget deficit by over half a percent, or precisely by 0.581percent. Therefore, the government is trying to develop some mechanism to pay outstanding refunds to minimize the impact on deficit and yet resolve the liquidity issues facing the exporters.

Sources said that Finance Minister Asad Umer wanted further discussions on the proposal moved by Ministry of Commerce regarding measures for export enhancement which included prompt clearance of pending sales tax refunds due to tight fiscal situation; he decided that the Commerce Ministry's proposal may be put up in the next Economic Coordination Committee (ECC) meeting.

FBR sources told Business Recorder that pending refund claims include: (i) sales tax refund claims including deferred claims of around Rs 125-130 billion; (ii) customs duty drawback of around Rs 20 billion; and (iii) income tax refund claims of Rs 50 billion.

Total outstanding refunds of Rs 200 billion after refund payments were issued during 2017-18 amounting to Rs 100 billion; in 2016/17 total refund payments issued were Rs 54 billion reflecting an increase of Rs 46 billion between the two years.

Exporters, including textile associations stated that their pending refund claims are around Rs 250 billion and not Rs 200 billion - customs rebate claims are approximately Rs 50 billion and sales tax refund claims including deferred claims total approximately Rs 200 billion according to their estimates.

Exporters further maintained that the previous government repeatedly assured them of early release of refund claims but never fulfilled this commitment, which created severe liquidity problems disabling them from investing in capacity enhancement and product diversification.

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