

Sales tax exemption: textile sector slams FBR for non-issuance of notification

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The textile sector on Tuesday slammed the Federal Board of Revenue (FBR) for holding up a notification on exemption of sales tax on import of machinery for another three years, despite an approval by the cabinet and Economic Coordination Committee.

"Non-issuance of the notification by the FBR has created uncertainty for the textile industrial units as a large number of machinery are lying dumped at the seaports," said a joint statement issued by Pakistan Apparel Forum chairman Muhammad Jawed Bilwani, CAPTA chairman Muhammad Zubair Motiwala, PHMA chairman Tariq Munir, Paksea chairman Kamran Chandna, PRGMEA chairman Shaikh Muhammad Shafiq PCFA chairman Sohail Aziz and APTPMA chairman Saleem Parekh.

They said that non-issuance of the notification has made the exporters liable to pay the Sales Tax and apply for refunds at the later stage, which has created liquidity problem for them. They said FBR has to refund the Sales Tax amount deducted on import of machinery. They pointed out that the billions of rupees of exporters in tax refunds are already pending.

They said FBR has issued notification of withdrawal of Duty exemption on cotton import without approval by ECC and they got approval only from Cabinet. However, they said issuance of notification of extension of Exemption of Sales Tax on import of machinery is still awaited. They said that extension was approved by the cabinet and the ECC to provide relief and help improve overall technological configuration of the sector, replace new machinery with obsolete one and increase overall investment. After approval of such extension, textile industrial units have imported large number of machineries.

Earlier, the Notification SRO 36(I)/2017 was issued on 23rd January, 2017 to further amend Notification SRO 1125(I)/2011 dated 31st December, 2011 whereby Sales Tax was exempted on machinery, not manufactured locally, if imported by textile industrial units registered with Ministry of Textile Industry as specified in Part IV of the Fifth Schedule to the customs Act, 1969, subject to same conditions as specified therein. The said notification was implemented from 16 January, 2017 and remained valid till 30 June, 2018.

They urged the government to take serious notice of unnecessary delays and direct the FBR to issue notification of extension of Exemption of Sales Tax on import of machinery for another three years from 2018-19 to 2020-21 so that textile industrial units could be able to clear their machinery lying at port and could import new machinery for balancing, modernization and replacement (BMR).

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