

Textile sector: Prime Minister requested to allocate Rs 10 billion for duty drawback

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Caretaker Minister for Commerce and Textile Industry, Mian Misbah-ur-Rehman has requested caretaker Prime Minister former Justice Nasir-ul-Mulk to allocate Rs 10 billion for duty drawback to the textile sector earmarked in federal budget 2018-19, sources close to Secretary Textile Industry told *Business Recorder*.

The Abbasi-led government on May 30, 2018 had approved extension of Prime Minister's export package for 2018-23 according to which duty drawback rates for the textile sector would remain the same i.e. 2 to 4 per cent for textiles, fabrics (excluding grey fabrics) 2 per cent, made ups 3 per cent and garments 4 per cent. However, the incentives of duty drawback for yarn were withdrawn.

The Ministry of Commerce had argued that the package in its present form, without 10.4 per cent incentive for non-textile sector which contributes 40 per cent to the national export basket, does not facilitate the efforts of diversification of exports into non-traditional sectors.

The caretaker Minister for Commerce and Textile argued that the government approved the Prime Minister's package of incentives to arrest declining trend of exports. Finance Division moved the summary and package was approved by ECC of the Cabinet in its meeting held on January 11, 2017 and it was to be applicable from January 16, 2017 to June 30, 2018. A scheme namely duty drawback of taxes in which drawback at 7%, 6%, 5% and 4% was provided to manufacturers cum exporters of garments, made ups, processed fabric and yarn and grey fabric respectively was provided Free On Board (FoB) value of exports.

The Minister explained to the caretaker Prime Minister, who supposedly does not have the powers to sanction the amount, that the package of incentives was revised by the ECC on a summary moved by Commerce Division in which phase-II of the Prime Minister's package for period 2017-18 was relaxed to facilitate exporters i.e. 50% of concession was available without any condition and remaining 50% on 10% increase in exports compared to the previous year. Further, 2% additional drawback was also provided for non-traditional markets.

The Federal Government extended the package for the period 2018-21 however, rates for garments, made ups and processed fabric were reduced to 4%, 3% and 2% respectively, while all other terms and conditions remained the same.

The Minister argued that since the notification of duty drawback scheme, claims amounting to Rs 49 billion have been received while Finance Division has allocated Rs 25 billion; and further claims are being received continuously. During this period the textile exports increased by \$577 million in calendar year 2017 and by \$468 million during current calendar year compared to corresponding period last year. In total since notification of this scheme exports have increased by more than \$ 1 billion in 16 months. Further, in Federal Budget 2018-19, the government has allocated Rs 10 billion for duty drawback of taxes scheme; and pending liabilities of around Rs 2.6 billion have already accumulated in State Bank of Pakistan.

"The package made a positive impact on declining exports and to sustain the exports and keep the momentum, it is requested that Rs 10 billion may be allocated for the duty drawback of taxes scheme. This would facilitate the textiles value chain for increased exports and shall also address their liquidity issues," the sources quoted the Minister as stating in his letter.

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