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Tax proposals worry exporters

They say SBP, RRMC are imposing anti-exporter policies

Senior Vice Chairman of the Towel Manufacturers Association, Syed Usman Ali criticised the SBP's approach, highlighting that banks are charging a 1% withholding tax on the entire realised amount, even though exporters are subjected to mark lien rates according to the delayed period. Photo: file

KARACHI: Exporters in Pakistan have expressed reservations about a proposed tax on late realised amounts put forth by the Reforms and Revenue Mobilisation Commission (RRMC) for the fiscal year 2023-24. The proposal suggests imposing an income tax on exporters who fail to bring in foreign currency within a specified time period, leading to gains on foreign exchange.

Senior Vice Chairman of the Towel Manufacturers Association of Pakistan, Syed Usman Ali strongly opposed the proposal, deeming it an anti-export measure that disregards the daily efforts made by exporters to boost the country's exports. He emphasised that exporters are vital to the economy and contribute significantly to its improvement. Ali urged the government to address the grievances of exporters in the upcoming 2023-24 budget and facilitate the export business.

The RRMC's recommendations to change the current Final Tax Regime of Exporters to a Minimum Tax Regime and impose additional taxes on foreign exchange income have been criticised by Muhammad Jawed Bilwani, Chief Coordinator of the Value-Added Textile Association Forum. Bilwani underscored that these recommendations were made without consulting exporters and other relevant stakeholders. He argued that applying normal tax regulations to exporters would discourage exports and prove futile in achieving the objective of addressing the trade balance.

He also criticised the chairman of RRMC, asserting that he lacks knowledge about the export industry and tends to favour certain business circles. He questioned whether the government should rely on consultants and advisors in these challenging times or listen to the actual stakeholders who understand the intricacies of the export sector.

Additionally, Ali highlighted an existing anti-export measure implemented by the State Bank of Pakistan (SBP), which places a lien on the realisation of foreign remittances beyond a specified period. This practice has negatively impacted the country's exports. Ali criticised the SBP's approach, highlighting that banks are charging a 1% withholding tax on the entire realised amount, even though exporters are subjected to mark lien rates according to the delayed period. This results in exporters paying taxes on amounts they have not earned, which he deemed unfair.

Bilwani drew attention to the alarming situation where national exports are not increasing, revenues are not growing, but debts and liabilities continue to rise. He pointed out the disparity between a few favoured businessmen whose businesses and exports have flourished while small and medium sized (SME) textile exporters struggle for survival without representation or a voice in the government. The discriminatory treatment faced by SMEs has eroded their confidence. During this period, 918 business entities engaged in export have closed and ceased their export activities.

The textile exporters stressed that the government must prioritise the implementation of textile policies to boost exports. "Unfortunately, from the announcement of the first Textile Policy in 2014-2019 until the existing Textile Policy 2020-2025, not a single policy was implemented fully," lamented Ali.

They highlighted that despite Pakistan's GSP plus status in the EU, textile exports have not achieved significant growth. The main obstacle is the uncontrolled and fluctuating cost of manufacturing and export production, rendering exporters unviable and unable to compete with regional competitors. Exporters urged the government to refrain from experimenting with exports based on unfair advice from consultants and advisors.