

## **Exporters reject 'final, normal tax regimes'**

**KARACHI:** The value-added textile exporters on Monday dismissed the proposed “imposition” of Final Tax and Normal Tax Regimes in the federal budget 2024-25, terming it “counterproductive”.

Members of the Value-Added Textile Exporters Forum told a news conference at PHMA House that the move will create “unnecessary hassle” with involvement of FBR officials, which may open gates for corruption.

Presently, the 1 percent tax deduction under FTR is electronically, without human intervention, Muhammad Jawed Bilwani, Chief Coordinator, Value-Added Textile Associations Forum told the media.

“As against the existing final income tax on exporters, it has been proposed that from the next fiscal year, the 1 percent rate should be treated as minimum and the exporters will have to submit documents to justify their income and expenditures,” he said.

Presently, he said, under FTR, Income Tax is directly deducted at source, electronically, when remittances are received on 100 percent sales proceeds irrespective of profit or loss. “It is a daylight fact that corruption is rampant in FBR and recent ‘speed-money case’ in LTU Lahore has unearthed it with evidence where the FBR officials have openly expressed their animosity with each other to get their illicit shares,” he said.

Jawed Bilwani and other exporters urged the government to refrain from adventuring with export sector and continue the Final Tax Regime for Exporters as usual without change.

He said that textile exporters are further expecting from the government to revise downward the 1 percent income to 0.5 percent. He added that the Exporters file their Sales Tax Refunds electronically through FASTER system, which are also processed electronically without human intervention and their claims are also disbursed electronically.

Exporters articulated that proposed changes in tax regime for exporters will be counter-productive. “It will result in drastic reduction in Pakistan’s export revenue leading to a reduction in Pakistan’s foreign exchange earnings,” they warned.

They said that the local exporters are likely to lose export opportunities to other countries like India, Bangladesh, Cambodia and Vietnam for lack of competitiveness faced by Pakistani industry.

They said that the Finance Minister, Chairman FBR and Commerce Minister have not consulted with the Textile Export Associations for Federal Budget 2024-2025.

Some 14 Tax Reform Commissions were formed for restructuring and reforms, but all failed, they added.

The export industries are already faced with huge set of challenges as they are paying multiple taxes ranging from the Federal Government, Provincial and Local Government, Export Development Surcharge, SESSI, EOBI, etc.

They urged the government to bring back policy discount rates to a single digit and EFS rates to previous levels, besides allowing exporters with back-to-back LC on a Bangladesh model.

Those participated in the event including Abdul Jabbar Gajiani, Chairman PHMA (SZ), Sheikh Shafiq, Chief Coordinator PRGMEA, Abdul Samad, Ex-Chairman PCMA, Khawaja Usman, Chairman PCFA, Junaid Ur Rehman, Chairman Export Committee KCCI, Shoaib Majeed, PDMEA and **representatives from TMA, PAKSEA & APTPMA** and prominent textile exporters, Babar Khan, Riaz Ahmed, Junaid Makda, Abdul Qadir Bilwani, Faisal Arshad Sheikh, Khizer Mehboob, Ilyas Gigi and Abdul Rehman.

The forum is comprising of all Value-Added Textile Associations: Pakistan Hosiery Manufactures & Exporters Association (PHMA), Pakistan Readymade Garment Manufacturers & Exporters Association (PRGMEA), **Towel Manufacturers Association of Pakistan (TMA)**, Pakistan Cloth Merchants' Association (PCFA), Pakistan Denim Manufacturers & Exporters Association (PDMEA), Pakistan Knitwear & Sweaters Exporters Association (PAKSEA), Pakistan Cotton Fashion Apparel Manufacturers & Exporters Association (PCFA) & Pakistan Bedwear Exporters Association (PBEA).

## **Value-added textile exporters reject new tax regime proposals**

KARACHI: The Value-Added Textile Exporters Forum has jointly rejected the proposed imposition of both the final tax regime (FTR) and the normal tax regime in the 2024-25 budget.

The forum comprises various textile associations including the Pakistan Hosiery Manufacturers & Exporters Association (PHMA), Pakistan Readymade Garment Manufacturers & Exporters Association (PRGMEA), **Towel Manufacturers Association of Pakistan (TMA)**, Pakistan Cloth Merchants' Association (PCFA), Pakistan Denim Manufacturers & Exporters Association (PDMEA), Pakistan Knitwear & Sweaters Exporters Association (PAKSEA), and Pakistan Bedwear Exporters Association (PBEA).

During a press conference held at the PHMA House in Karachi, the forum called the proposed changes “counterproductive”, saying that they would lead to unnecessary bureaucratic interference and potential corruption.

Chief Coordinator of the Forum Muhammad Jawed Bilwani highlighted that “the current one per cent final income tax on exporters is efficiently deducted at source electronically, without human intervention, when remittances are received on 100 per cent sales proceeds, regardless of profit or loss.”

The proposed change would treat this one percent rate as a minimum tax, requiring exporters to submit extensive documentation to justify their income and expenditures. Bilwani emphasized that this would \*expose exporters to corruption within the Federal Board of Revenue (FBR), citing a recent scandal in LTU Lahore where FBR officials were implicated in corrupt practices. The forum warned the government against experimenting with the export sector, urging the continuation of the current FTR without changes. They also called for a reduction in the 1.0 percent income tax to 0.5 per cent. Bilwani noted that exporters' sales tax refunds are processed electronically via the FASTER system, ensuring efficiency and minimal human involvement.

Representatives from the textile associations stressed that the proposed tax regime changes would be detrimental, leading to a significant reduction in Pakistan's export revenue and foreign exchange earnings.

They argued that such changes would diminish the competitiveness of Pakistani exports, allowing regional competitors like India, Bangladesh, Cambodia and Vietnam to capture market share. The additional disadvantages would hinder growth and expansion in the export-oriented industry, potentially driving businesses to relocate operations outside Pakistan.

The forum expressed frustration over the lack of consultation from the finance minister, chairperson of the FBR, and commerce minister. It questioned "why the government consistently targets existing taxpayers, particularly value-added textile exporters, who contribute significantly to foreign exchange earnings, government revenue, and urban employment." The forum pointed out that "50 per cent of industrial units have ceased production, and membership in textile exporters' associations has declined by 20-25 per cent, indicating a crisis in the industry. They criticised the FBR for failing to broaden the tax base and suggested that the current tax authority be replaced with a new tax and revenue authority to better address these issues."

Highlighting the industry's challenges, the forum noted the burden of multiple taxes, delays in sales tax and other refunds, and the highest-ever cost of manufacturing due to exorbitant energy tariffs and expensive industrial inputs. They called for the restoration of regionally competitive energy tariffs (RCET) to prevent further closures of SMEs and layoffs.

The Forum also urged the new government to reduce the policy discount rate to single digits and operationalize the EXIM Bank. They advocated for a model allowing exporters back-to-back letters of credit similar to Bangladesh's system. The forum concluded by urging the government to focus on tapping the tax potential of non-taxpayers rather than increasing the burden on compliant exporters.

Prominent figures at the press conference included Chairperson of the PHMA (SZ) Abdul Jabbar Gajiani; Chief Coordinator of the PRGMEA Sheikh Shafiq; Ex-Chairperson of the PCMA Abdul Samad; Chairperson of the PCFA Khawaja Usman, Chairperson of the Export Committee (KCCI) Junaid Ur Rehman; Shoaib Majeed and other notable textile exporters.