

# Business community hails revival of zero-rated regime

**RECORDER REPORT**  
KARACHI: Business community has hailed the revival of zero-rated regime for five export sectors.

Chairman, Pakistan Tanners Association (PTA), Gulzar Firoz, said that the government decision-making five sectors including leather zero rated, i.e. exemption from sales tax payment was a positive step which will help increase export.

He said that this positive decision should be implemented in true spirit and exemption should be applied on all purchase on raw materials including chemicals, packing materials etc. He said that refunds should also be given on local taxes and levies, i.e. DLT.

However, he was not happy with the announcement that refunds would be given to exporters in the month of August, whereas earlier the finance minister had committed to pay them in July.

He also said that why only refunds be given to only those RPOs which are issued till April 30. Why should other exporters, whose refunds are pending since 2-year, suffer and RPOs not issued. It is the fault of the department not exporters. He appealed to the finance minister to review the decision.

He said, "Leather sector was unhappy that its proposal to abolish import duty of 3 percent on raw hides and skins was not considered." He urged the finance minister to reconsider our request because leather industry is in dire crisis.

He also pointed out that PTA had submitted a list of proposals that finished leather may also be considered value-added product to qualify for 4 percent incentive on enhanced export under SRO 415(1)/2015 as already allowed for allied sectors which was not entertained in the budget 2016-17.

Chairman, PTA Sindh Zones, Z Rehan Hannan has also hailed the decision to done away with the system of paying tax first and getting refund later on.

Chairman, SMEs Foundation, Waliullah Khan

medium sector of the country that is the backbone of the economy.

He said that small and medium sector or cottage industry provides largest number of employment to the general public and contributing one of the biggest chunks of revenue to the national economy.

He said that though some relief has been given to the agriculture sector and export-oriented industry, but the overall budget is not at all inspiring and it will make the life of the common man miserable. He said that tax payers have not been facilitated as well and no new avenues of tax have been explored.

Central chairman, Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), Shaikh Mohammad Shafiq said that PRGMEA have warmly welcomed the zero-rated sales tax policy for country's five export sectors, i.e. value-added textile, carpet, surgical, sports goods and leather.

He also appreciated government for reducing export refund rate from 4.5pc to 3pc.

Finance Minister, Senator Mohammad Ishaq Dar made a long enduring speech in the National Assembly and said that the refunds cases having release payments orders (RPOs) up to April 30, 2016 will get payment in August 31, 2016 but did not mention about the fate of remaining cases. According to Shaikh Mohammad Shafiq, under 20pc of the actual outstanding funds were issued RPOs.

He also pointed out that the same statement was given last year, but exporters didn't get any refund.

Country's exports dropped by 13 percent in the first nine months fiscal year, stated by PRGMEA Chief. It is now the need of the hour for the government to develop a coherent plan that allows some sort of exemption/concession to the garment sector to arrest its decline. As cut-throat competition with countries, like Vietnam, Bangladesh and China, is giving tough time to

when raw material used in textiles (yam, fabric etc) could be exported.

This trend is not going to continue and it is the reason Pakistan is facing serious downfall. Countries have to use their raw material and export only possible in the form of finished products - garments. "We must believe in concept that countries have to be completely vertically integrated to use their raw materials in completely finished product," he said. "The textile industry fetches more than half of export revenues and it has been totally ignored by the government. How will anyone make new investment when their existing investments are in jeopardy?" he wondered.

Acting Chairman, PRGMEA Sindh Zone, Arshad Aziz said that the Federal Minister for Finance has rightly announced to retain five export sector into zero-rated regime in order to avoid any further fuss as FBR has already messed up with the refund claims and billions of rupees are still stuck up with the government.

Former Adviser on Textile to prime minister, Dr Mirza Ikhtiar Baig hailed the encouragement provided in the budget for the fiscal 2016-17 for the five main sectors of economy - textile, leather, carpets and sports and surgical goods.

He appreciated that from July 1, 2016 these five sectors will be made zero-rated tax regime.

Dr Baig also lauded the lowering of the corporate tax rate to 31 percent from 32 percent.

He said that additional tax on non-registered companies and individual would help bring these in the tax net.

Dr Baig also lauded enhancement in salaries and pension of the government employees and increase in minimum wages of the labourers and said that these measures would help benefit the low income group.

However, he believed that government's stress appears on indirect tax did not augur well. The world over the stress is on

Ahmed said that the budget is not export-friendly.

He said that finance minister has announced that all pending sales tax refunds, till 30th April whose RPOs have been approved, will be paid by 31st August 2016 and added that only 10 percent of pending sale tax refunds RPOs were cleared up till now whereas 90 percent ROPs yet to be cleared.

He also pointed out that the existing scheme on Drawback of Local Taxes (DLTL) will continue in the FY 2016-17 and added that under this scheme only those get benefit whose export increased by 10 percent whereas, in fact exports are shrinking fast.

President of Korangi Association of Trade and Industry Zahid Saeed, Senior Vice President Saleem Uz Zaman and Vice President Syed Wajid Hussain applauded the exemption from customs duty on import of plant and machinery for new industry in budget and said that it would boost industrial activity.

They also praised the fund allocations of Rs 1bn for water scheme, K-4 in Karachi. Zahid said that this was desperately needed as the water shortage was retarding industrial activity.

He said that the Karachi-Lahore Motorway would boost economic activity and also generate employment.

KATI's President also welcomed that long-standing demand of business community has accepted by the government and five export-oriented declared zero-rated.

"The budgetary proposals carried a set of incentives and concessions for industry and agriculture but the issue of refunds has seemed to be delayed once again, this will increase unrest among exporters," he noted.

Zahid also said that in pharmaceutical sector exemptions for new technologies, machinery, quality control equipment was much needed, but not fulfilled; more initiatives should be taken in this regard.

President KATI also said that other consequences of bud-