

PRESS RELEASE

LEATHER SECTOR DEPRIVED IN FEDERAL BUDGET 2020-21

KARACHI : 19th June, 2020: The **Chairman Pakistan Tanners' Association, Sheikh Afzal Hussain** while talking to the print & electronic media shared that the Salient Features of the proposed Federal Budget for the year 2020-21 placed on 12th June'2020 in National Assembly for the approval is lacking the core Demands for the Leather Sector of Pakistan, which were negotiated & submitted to MOC, FBR & other Government departments for incorporation. It was also informed by the **Chairman, PTA Sheikh Afzal Hussain** that during meetings & orally discussion already made before the budget with the **Advisor to PM on Commerce & Textile, Mr. Abdul Razzak Dawood** the firm assurance was given to PTA for the desired inclusion of Core Demands of the Industry, which are vital & mandatory under the present plight of the Industry **specially under COVID-19.**

This vital Industry of the country **being 2nd biggest export oriented value added Industry of the country** is kept in isolation almost from the beginning despite all assurance for the due attention resultantly the Leather Sector is in continuous **declining trend** and now the situation **is** getting from worst to deteriorated gradually because of severe adverse **impact of COVID-19** such as future export orders of leather are jeopardized for cancellation, ongoing shipments are being halted by the foreign customers, due payment against the shipped shipments are stopped/pending by the foreign customers in result of which the Leather Sector is in severe financial crisis.

In this context, the **Chairman, PTA, Sheikh Afzal Hussain** strongly emphasized the utmost need to incorporate the following **short listed essential Demands** for the Leather Industry in the proposed Federal Budget for the year 2020-21 as was already ensured to PTA for the inclusion: -

01. **Reinstate the Zero Rated Status for Leather Sector of Pakistan” among rest five sectors** of the country with immediate effect along with restoration of **SRO # 1125**, which was revoked earlier by the Government **OTHERWISE** to consider **reduction of Sales Tax from 17% to 5% atleast for Leather Sector of Pakistan, which is 95% export oriented sector of the country.**
02. To reduce / remove **CD, ACD & AGST** on fundamental 8 Tanning Chemicals with H.S. Code Nos. 3202.9010/2915,1100/3202.1000/3403.1110/3403.9100/3204.1200/3204.1400/3402.1300/3210.0020 & 3809.9300.
03. Removal of further collection of 1% **withholding Tax on** export proceeds for at least upcoming 3 years.
04. Removal of further collection of **EDS @ 0.25% on export** proceeds for atleast upcoming 3 years.
05. The Government has proposed 2% **Withholding tax** on import of basic Raw materials for the Leather Industry by withdrawing the facility for issuance of “**Exemption Certificates**” on import of basic raw materials **WHEREAS the Leather Sector is more than 90-95% export oriented sector of the country and fall within the fixed regime** and accordingly **cannot be adjusted** as well, resultantly

the huge funds on **account of 2% withholding Tax on import of basic Raw materials** by our member exporters for this **export oriented industry would ultimately be blocked also with the Government on account of refunds**, which could have long pendency for the release with other funds on account of **Sales Tax & Income tax etc.** and finally this export oriented Industry would be stranded with further financial crunches/crisis, **which is already severely facing**. As such **removal of proposed 2% withholding tax on import for Leather Sector as pure 95% export oriented Industry is UTMOST necessary to be made by the Government to keep the same mode earlier** (before the budget) for the import against “**Exemption Certificates**” by our member exporters for those whose exports is not less than 80% i.e. case to case basis.

06. Effect major **Cut in the Utilities Bills for Electricity & Gas**, which are already on very higher side as compared to regional competitors to enable our member exporters to compete in International market for fetching precious foreign exchange in terms of export orders, as the production cost is already exorbitant in Pakistan.
07. Re-include “**dyed/Finished finished leather**” in the new DLT scheme for the year 2018-21 with retrospective effect from July’2018 without incremental obligation to avoid discrimination attitude as “**dyed/Printed Fabric**” is already included in the new DLT scheme for textile sector and the Mother Industry of Leather Sector is deprived for the basic incentive.

Higher Air Freight Charges of foreign Airlines concerned in Pakistan

It is the also real burning issue for charging exorbitant rates of Air Freight Charges by the Foreign Airlines concerned with limited operation available in Pakistan and comparative view is made below for better understanding :-

Proposed related Destination(s)	Previous Regular Rate of per kg. in PKR (<u>500 (+)</u> kgs shipment)	Current Rate of Per Kg., in PKR. (<u>500 (+)</u> kgs shipment)	Previous Regular Rate of per kg. in PKR (<u>500 (-)</u> kgs shipment)	Current Rate of Per Kg., in PKR. 500 (-) kgs shipment)
Far East	Rs.150 per kg.	Rs.750 Per Kg.	Rs.175/- per Kg.	Rs.865/- Per kg.
Europe	Rs.180 – Rs.190/-	Rs.1100 Per kg.	Rs.220/- Per Kg.	Rs.1270/- Per kg.
Bangladesh	Rs.150	Rs.650 Per kg.	Rs.175/- per kg.	Rs.750/- Per Kg.

The **Chairman, PTA, Sheikh Afzal Hussain** also demanded strongly to MOC & TDAP to support this vital Industry with the announcement of “**Relief Package for subsidy/financial support**” on Air Freight Charges being charged by foreign airlines concerned to our member exporters so that the export shipment of leather would be embarked in time with facilitation to be effective from March’2020 till restoration of normal flights with regular air freight charges.

Sheikh Afzal Hussain, Chairman, PTA APPEALED to the Honourable Prime Minister of Pakistan, Mr. Imran Khan and Advisor to PM on Commerce & Textile, Mr. Abdul Razzak Dawood for incorporation of all above short listed core demands for this vital Industry of the country to save it from further collapse to provide level playing

field in comparison with the neighbor competing countries for one common motive for the promotion of leather sector exports, which is desperately required by the country for the national exchequer.
