

Pakistan Knitwear & Sweater Exporters Association

1014-16, Park Avenue, PECHS Block 6,
Shahrah-e-Faisal, Karachi-75350

Tel: 34544035-36 SG: 34544039, email: info@paksea.com

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FBR to help ensure liquidity arrangements for exporters



The Federal Board of Revenue (FBR) has so far not taken any decision to withdraw or reduce 17 percent sales tax imposed on local sales of five export-oriented sectors; however, it will take major measures to ensure liquidity arrangements for the exporters.

A senior FBR official told Business Recorder here on Friday that the government has taken this concise decision after taking political leadership into full confidence. There is no possibility of reducing the rate to 7.5 percent as demanded by the industry.

“The FBR cannot do anything about this because it needs a Presidential Ordinance or bringing a Money Bill for any reduction in the rate from 17 percent imposed through the Finance Act 2019,” the official said.

The withdrawal of sales tax zero-rating facility is also a condition of the IMF programme. Pakistan needs waiver for reducing or withdrawal of 17 percent sales tax on local sales of export-oriented sectors, he maintained.

“However, we are ready to give maximum facilitation to the textile sector to resolve their issues of liquidity crunch. The FBR will resolve their exemption related issues under Duty & Tax Remission for Exporters (DTRE) scheme and Drawback of Local Taxes and Levies (DLTL),” he said.

He explained that the FBR fully understands that liquidity arrangements are needed for exporters due to one-time sudden increase in the sales tax rate from zero percent to 17 percent on five export sectors. The government does not want to disturb cash flow of exporters or create any problems leading to a balance of payment crisis for them. Unwarranted fear has been created in the market that the FBR will forcefully come and suddenly register everyone in the entire textile chain, which is not true. There are three situations where liquidity arrangements can be made for the exporters. Firstly, the private sector arranges liquidity for itself. Secondly, the FBR is ready to clear pending and deferred sales tax refund claims of exporters to deal with the issue of liquidity for exporters. The issues will come only in the first year of the imposition of the sales tax and later things would get normalised in subsequent liquidity cycles. The government can also give some export refinance facility on markup rate for the exporters and thirdly the FBR has

improved its refund system considerably and it can introduce the invoice-based facility system to enable refund payment in 48 hours through State Bank of Pakistan (SBP). The refunds may not be based directly on ceiling like specific percentage of the value of exports. The invoice-based system of the FBR has the capability to generate intimation within 48 hours of filing of returns for payment of refunds.

The official said that the Federal Board of Revenue is planning to show a new face of FBR to the world, i.e., “E-FBR new virtual setup” to facilitate new and existing taxpayers.

Under a single portal, all the taxpayers would be provided a common platform and hyper link to file federal and provincial sales tax returns from next month. The FBR and provinces have agreed in this regard, he said.

The FBR and provinces have agreed on an integrated sales tax return for filing through a single portal in future, he said.

To a question on new income tax return form, he said that a new app on mobile phone would be introduced for individuals and salaried class to file their returns simply through mobile phones.

M. Siddique
Secretary General
0320-8364130