

## Tax measures are needed to support Pakistan's textile sector

The Federal Board of Revenue (FBR) has the potential to support exporters in these difficult times, said World Bank's Programme Lead Public Sector Specialist Celia Rontoyanni. Addressing a consultative dialogue on "Textile sector's competitiveness amid Covid-19," she highlighted various aspects of support for competitiveness in textile businesses.

Experts from public and private sectors, who participated in the dialogue, remarked that facilitation and appropriate taxation measures could play an instrumental role in enhancing the competitiveness of textile businesses and boosting exports.

"In the recent past, several new measures have been introduced by the FBR including the reduction in sales tax rate, customs duty and ease in filing tax returns that may help in improving the cash flow of exporters," said Rontoyanni.

"Tax authorities need to realise that two-thirds of imports are inputs for the manufacturing sector and therefore tariffs on inputs should be lowered." The World Bank official added that the tax system should be predictable and responsive to the needs of the private sector.

Sharing his observations, FBR's former member Mohammad Raza Baqir said the textile sector was transitioning towards the production of value-added goods. Covid-19 had adversely impacted the sector, hence, measures should be taken to facilitate it and overcome the unprecedented challenge, he said.

Another former FBR member Raana Ahmed suggested that in view of Covid-19, the FBR could consider relaxing the burden of direct taxes on the textile sector. She said the current tax policy formulation process was weak and capacity for in-depth research in the FBR seemed to be lacking.

Sustainable Development Policy Institute (SDPI) Joint Executive Director Dr Vaqar Ahmed argued that the data regarding request for tax refunds should be made public and online as it would allow everyone to get a clear picture of the exporters' refunds and in case there were any delays.

## Textile industry opposes debt surcharge

The Towel Manufacturers Association of Pakistan has urged the government not to impose debt servicing surcharge on the industry, especially on the export-oriented sectors, as the textile industry is

already facing a financial crunch due to tax refunds withheld by the Federal Board of Revenue. In this connection we appeal to the government to avoid putting further financial burden on the industry," said Muhammad Haroon Shamsi, Senior Vice Chairman of the Towel Manufacturers Association.



Muhammad Haroon Shamsi.

The government should adopt corrective measures and put the responsibility of inefficiency on the entire power sector, rather than on consumers.

He pointed out that the industrial sector was the main victim of the Covid-19 pandemic but only the industrial sector could reduce the adverse impact of Coronaries on the national economy.

Despite that, the government had time to time imposed different types of charges through utility bills including the fuel adjustment charges, additional fuel adjustment and other charges on the export industry.



## Pakistan's apparel sector represented at the Digital Global Apparel Sourcing Expo

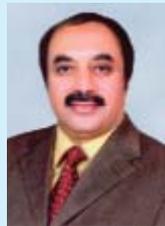
As the worldwide economy has been facing a slowdown in the post-Corona scenario and all international textile exhibitions have been cancelled the Pakistan Readymade Garments Manufacturers and Exporters Association has taken the initiative to participate in the Digital Global Apparel Sourcing Expo, organised by The International Apparel Federation (IAF), with a mission to unite all stakeholders of the fashion and apparel industry globally to enable and promote smarter, stronger, more sustainable supply chains. The 1<sup>st</sup> Digital Global Apparel Sourcing Expo 2020 was launched on 15<sup>th</sup> of July to run for 30 days until the 14<sup>th</sup> of August 2020.

Matthijs Crietee, Secretary General of IAF says: "On request of our member associations we have decided to develop a fully digital tradeshow to provide an alternative for cancelled apparel sourcing tradeshows. Our objective is to create new and sustainable business opportunities for the industry and our members in these challenging days."

The IAF already has a strong existing partnership with Foursource, the largest digital sourcing platform for the apparel industry. Other than traditional tradeshow event software solutions, Global Apparel Sourcing Expo will benefit from Foursource's B2B matchmaking technology with proven success in connecting international buyers and readymade garment manufacturers, adopting the latest trend to explore world market for Pakistani apparel goods through virtual mode.

PRGMEA regional chairman Sohail A. Sheikh and Chief Coordinator Ijaz A. Khokhar observed that this is another initiative of PRGMEA, becoming the first trade body from Pakistan to participate on self-finance basis in a digital textile show and use this worldwide technological fashion industry platform for B2B matchmaking, as both the exporters as well as the importers are now reluctant to travel abroad and attend 'physical trade exhibitions' and explore market.

Ijaz Khokhar, who is also the Regional President of International Apparel Federation (IAF), said that owing to Covid-19 all trade shows are cancelled, so marketing trends have now moved to Digital Exhibitions.

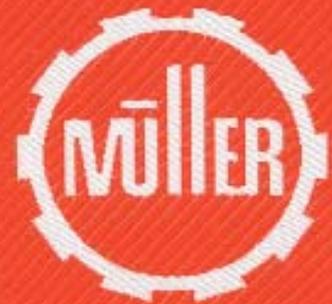


*Ijaz Khokhar.*

He pointed out that many countries are exhibiting their garment products while more than 15,000 buyers are in connection through this virtual worldwide expo, engaging retail & large brand buyers, sourcing managers, brand owners, start-up labels, designers and buying houses agents globally.

He stated that keeping in view of the hardships of the business community in the post-pandemic situation, the International Apparel Federation has taken the step for holding Digital Global Apparel Expo to minimize the problems confronted by the business community. ♦

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### Cotton sector should not be ignored, Mian Zahid Hussain

President Pakistan Businessmen and Intellectuals Forum and All Karachi Industrial Alliance, FPCCI's Businessmen Panel Sr. Vice Chairman, and former provincial minister Mian Zahid Hussain has said that cotton sector, which is playing very important part in the economy and providing jobs to millions should no more be ignored by revived immediately.



Mian Zahid Hussain.

Cotton production is declining since last few years and the production for the current year will be eight million bales against the target of 15 million bales.

Talking to the business community, the veteran business leader said unsold cotton stock worth billions is lying in the ginning factories which should be used or exported to bailout ginning sector from crisis which will enable them to pay dues to the farmers.

The former minister noted that many workers are unemployed due to COVID 19, while real incomes of many others have also declined, which has reduced consumption of cotton, yarn, and garments while the price of cotton has gone down by 34 percent in three months.

The crisis has eroded the capacity of textile sector to pay ginners necessitating government's intervention. The credit line for the ginning sector should be increased while the government should look into the issues hitting the cotton sector which include climate change, scarcity of water, high cost of inputs, substandard seed, and pesticides, costly urea, difficulties in obtaining loans, reduction in area under cultivation and primitive practices. ♦

### Textile firms export health products to recoup losses

Pakistan's textile sector has devised a strategy to boost diminishing exports, damaged by the lethal Covid-19 pandemic, by exporting health-related products such as protective gowns, scrubs and masks.

In June 2020, textile exports are expected to surpass US\$ 1-billion mark, said the management of Gul Ahmed Textile Mills Limited.

Business suspension during lockdown coupled with loss of export orders caused a financial dent of Rs 8 billion while contribution margins fell Rs 1.6 billion, the management said.

However, July was promising for the textile industry owing to a large number of orders related to the health segment such as protective gowns, scrubs and masks, which have been approved by the US Food and Drug Administration (FDA).

The home textile segment was another section where the company was confident of getting export orders and it was expected to grow because demand had increased significantly as people spent more time at home, said Akram.

Looking at the situation, many businesses in the textile export sector diversified by introducing health-related merchandise, said Pakistan Cloth Merchants Association Secretary General Arif Ismail.

### Textile exporters' liquidity crunch hinders Pakistan's exports

Industry official urges government to release refunds without further delay. Textile exporters have expressed immense distress as they are facing severe liquidity crunch due to the imposition of 17% GST as the government has yet to issue refunds.

The unnecessary delay in release of tax refunds is also causing hurdles in export production, said Pakistan Hosiery Manufacturers and Exporters Association (PHMA) Central Chairman Chaudhry Salamat Ali.

He said that the government's anti-export decisions have disturbed exporters. Following the outbreak of the COVID 19, the global business has shrunk and textile exporters are faced by extreme uncertainty and they are unable to decide on the future of their businesses as the government has left them without any help in these critical times.

He said that exporters were worried that despite commitment and assurances, the government was not able to release the refunds in a timely manner.

He also lamented that a major demand of the sector to restore the zero-rating regime and reduce GST was also

ignored in the recent budget for fiscal year 2020-21.

Exporters are also apprehensive about the fate of their other refunds of income tax, customs rebate, duty drawback as well because still a large amount worth billions of rupees held up with the government, which has not been released.

### APTMA demands for gas supply at reduced rates

All Pakistan Textile Mills Association (APTMA) Sindh-Balochistan Region Chairman Zahid Mazhar demanded to increase the allocation of natural gas in national quota and to supply continuous and uninterrupted gas to industries in Sindh and Balochistan.

He said Sindh and Balochistan should not be deprived of their constitutional right in supply of natural gas under Article 158 of the Constitution of Pakistan, as the two provinces were producing about 85% of the indigenous gas produced in the country. Sindh and Baluchistan produced 2,800 to 3,000 MMCFD out of the total 3,600 MMCFD of indigenous gas, and against this they were receiving only 1,050 MMCFD gas (presently getting only 33% of its

production) out of the allocated quantity and previously supplied 1,200 – 1,300 MMCFD.

Out of this quantity, Mazhar said, the entire industry and its power plants were being supplied only around 400 MMCFD. Gas supply was less than the allocated quantity and the previously supplied quantity, he added, urging to increase the allocation to 1,450 MMCFD which was the current requirement.

Recently, there has been a severe problem of low pressure and load shedding of gas. Mazhar said that the industries, especially export-oriented industries like textiles have already suffered huge production losses on account of lockdowns and adverse effects of Covid-19 on businesses. He further said production losses due to low gas pressure is contributing to other difficulties in meeting the export commitments.

### RLNG diversion to power sector leaves textile sector

The non-availability of required quantity of furnace oil for power sector has massively shifted the burden for power generation towards the RLNG-based power plants owing to which

massive flow of imported gas is being ensured to RLNG-based power plants.

This has virtually left the export-oriented textile sector in the lurch as industrial plants have started experiencing low pressure. Because of the low pressure in RLNG supply, the industrial units are not running up to the mark, resulting in less production of export products fearing Pakistan will not be able to fulfil export orders.

And more importantly, domestic gas supply has also been curtailed due to the non-lifting of crude which is a necessary by-product of gas production and domestic gas fields as a consequence have been shut as all storage for crude is full and sufficient RLNG was not procured to tackle the decrease in domestic production of gas.

All Pakistan Textile Mills Association (APTMA) wrote a letter to Secretary Petroleum Mian Asad Hayauddin informing about the gloomy picture of gas availability, saying that COVID-19 had adversely impacted textile exports, but industry is on the way to recovery and unless it is unable to meet the export order deadlines, fresh orders would be difficult to obtain. ♦

