



# PAKISTAN HOSIERY MANUFACTURERS & EXPORTERS ASSOCIATION

(Government approved sole representative body of Knitted goods & Apparel Manufacturers)



Ref: 2018/PHMA/6/056

Dated: 16<sup>th</sup> July, 2018

**Ms. Rukhsana Yasmin**  
**Chairperson,**  
**Federal Board of Revenue,**  
FBR House, Constitution Avenue,  
Islamabad.  
Tel: 051-9201938, 9209723  
Fax: 051-9205308

**SUBJECT: REQUEST TO ISSUE NOTIFICATION OF EXEMPTION OF SALES TAX ON IMPORT OF MACHINERY BY TEXTILE INDUSTRIAL UNITS.**

Dear Sir,

Earlier, the Notification SRO 36(I)/2017 was issued on 23rd January, 2017 to further amend Notification SRO 1125(I)/2011 dated 31st December, 2011 whereby Sales Tax was exempted on machinery, not manufactured locally, if imported by Textile Industrial Units registered with Ministry of Textile Industry as specified in Part IV of the Fifth Schedule to the customs Act, 1969, subject to same conditions as specified therein. The said Notification was effective from 16 January, 2017 to 30 June, 2018.

We have been informed by the then Federal Minister for Commerce and Textile Industry Mr. Pervez Malik that the Cabinet had approved to issue Notification to exempt of Sales Tax on import of Machinery for another three years to facilitate the exporters. However, issuance of Notification is still awaited.

**Due to non-issuance of subject Notification the exporters are liable to pay the Sales Tax and apply for refunds at later stage causing liquidity problem. It is pertinent to mention that billion of rupees of exporters in refunds are already pending.**

**In view of above, you are requested to kindly direct the concerned for immediate issuance of subject Notification to facilitate exporters.**

Thanking you and looking forward to your prompt action, accordingly.

With highest regards,

**Muhammad Jawed Bilwani**  
**Chief Coordinator PHMA**

Sales tax exemption

# Textile sector slams FBR for non-issuance of notification

**RECORDER REPORT**

**KARACHI:** The textile sector on Tuesday slammed the Federal Board of Revenue (FBR) for holding up a notification on exemption of sales tax on import of machinery for another three years, despite an approval by the cabinet and Economic Coordination Committee.

“Non-issuance of the notification by the FBR has created uncertainty for the textile industrial units as a large number of machinery are lying dumped at the seaports,” said a joint statement issued by Pakistan Apparel Forum chairman Muhammad Jawed Bilwani, CAPTA chairman Muhammad Zubair Motiwala,

PHMA chairman Tariq Munir, Paksea chairman Kamran Chandna, PRGMEA chairman Shaikh Muhammad Shafiq PCFA chairman Sohail Aziz and APTPMA chairman Saleem Parekh.

They said that non-issuance of the notification has made the exporters liable to pay the Sales Tax and apply for refunds at the later stage, which has created liquidity problem for them. They said FBR has to refund the Sales Tax amount deducted on import of machinery. They pointed out that the billions of rupees of exporters in tax refunds are already pending.

They said FBR has issued notification of withdrawal of

Duty exemption on cotton import without approval by ECC and they got approval only from Cabinet. However, they said issuance of notification of extension of Exemption of Sales Tax on import of machinery is still awaited. They said that extension was approved by the cabinet and the ECC to provide relief and help improve overall technological configuration of the sector, replace new machinery with obsolete one and increase overall investment. After approval of such extension, textile industrial units have imported large number of machineries.

Earlier, the Notification SRO 36(1)/2017 was issued on 23rd January, 2017 to further amend Notification SRO 1125(1)/2011 dated 31st December, 2011 whereby Sales Tax was

exempted on machinery, not manufactured locally, if imported by textile industrial units registered with Ministry of Textile Industry as specified in Part IV of the Fifth Schedule to the customs Act, 1969, subject to same conditions as specified therein. The said notification was implemented from 16 January, 2017 and remained valid till 30 June, 2018.

They urged the government to take serious notice of unnecessary delays and direct the FBR to issue notification of extension of Exemption of Sales Tax on import of machinery for another three years from 2018-19 to 2020-21 so that textile industrial units could be able to clear their machinery lying at port and could import new machinery for balancing, modernization and replacement (BMR).

## BRIEFS

### Textile industrialists await notification

By our correspondent

KARACHI: Textile industrialists are reeling under panic owing to non-issuance of the notification of extension for the exemption of sales tax on the import of machinery for another three years (from 2018-19 to 2020-21), a statement said on Tuesday.

“Despite being approved by the federal cabinet as well as Economic Coordination Committee ECC, the Federal Revenue Board (FBR) has not issued the notification and as a result tons of machinery is stuck at the port,” textile sector associations said in a joint statement.

The statement said due to non-issuance of subject notification the exporters were liable to pay sales tax and apply for refunds at a later stage.

“However, FBR has to refund the sales tax amount deducted on import of machinery, whereas exporters’ billions of rupees in refunds are already pending,” the statement said.

It said the extension was approved to provide relief to exporters and was aimed at improving overall technological configuration of the sector including replacement of new machinery with the obsolete one and increase overall investment.

“After approval of such extension, textile industrial units have imported a lot of machinery,” the statement said.

Government of Pakistan  
(Revenue Division)  
Federal Board of Revenue  
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C. NO. 1(140)C(RGST)/2011/87970-R

Islamabad, the 18<sup>th</sup> July, 2018

The Collector,  
Model Customs Collectorate,  
Appraisalment (East/West)/Port Muhammad Bin Qasim/Preventive, Karachi

The Collector,  
Model Customs Collectorate,  
Peshawar/Islamabad/Sialkot/(Appraisalment / Preventive), Lahore/ Multan/  
Hyderabad/Quetta/Gwadar/Faisalabad/Gilgit (Baltistan)

SUBJECT: ZERO-RATING OF SALES TAX ON TEXTILE MACHINERY

The undersigned is directed to refer to the subject cited above and to say that zero-rating of sales tax on the following textile machinery was granted vide SRO 36(I)/2017, dated 23.01.2017 by further amending SRO 1125(I)/2011, dated 31.12.2011:

“5.	Machinery, not manufactured locally, if imported by textile industrial units registered with Ministry of Textile Industry, as specified in Part IV of the Fifth Schedule to the Customs Act, 1969, subject to same conditions as specified therein.	Respective headings	0%; and
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02. The said zero-rating of sales tax was granted in compliance with package announced by the Prime Minister of Pakistan on 10.01.2017 to incentivize exports. The SRO had sunset clause whereunder zero-rating on import of above textile machinery was available till 30<sup>th</sup> June, 2018. Ministry of Commerce and Textile (Textile Division) moved Summary for ECC of the Cabinet for extension of export package beyond 30.06.2018. The Summary proposed continuation of zero-rating on import of textile machinery. The Summary was approved by ECC of the Cabinet and ratified by the Federal Cabinet.

03. Powers to grant zero-rating of sales tax under clause (c) of section 4 read with section 71 of the Sales Tax Act, 1990 are vested in the Federal Government with effect from 01.07.2018 by virtue of amendments made in the said provisions of the Sales Tax Act, 1990. Federal Government has been defined as the Federal Cabinet including the Prime Minister as held by the Supreme Court of Pakistan in case reported as PLD 2016 SC 808. Accordingly, the Ministry of Commerce and Textile (Textile Division) has been requested to obtain and provide approval of the Federal Cabinet for issuance of SRO to notify zero-rating of sales tax on textile machinery mentioned in SRO 36(I)/2017, dated 23.01.2017.

04. In the meanwhile, it is requested that textile machinery qualifying for zero-rating of sales tax under SRO 36(I)/2017, dated 23.01.2017 may be cleared provisionally under section 81 of the Customs Act, 1969 by allowing zero-rating of sales tax on such imports.

05. This issues with the approval of the Chairperson, Federal Board of Revenue.

*ZMK 18/1/2018*  
**(Zulfiqar Hussain Khan)**  
Chief (Sales Tax & FE-Policy)

Copy to:

1. The Secretary, Ministry of Commerce and Textile (Textile Division) with the request to obtain and provide approval of the Federal Cabinet for zero-rating of sales tax on textile machinery so that formal notification can be issued.
2. The Chief Collector of Customs (Enforcement/Appraisalment), Customs House, Karachi.
3. The Chief Collector of Customs (Central), Customs House, Lahore.
4. The Chief Collector of Customs (North), Customs House, Islamabad.