

ECC to reconsider textile package on 26th

RECORDER REPORT

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet, which is scheduled to meet on August 26 with Prime Minister Yousaf Raza Gilani in the chair, would reconsider support package for textile and clothing industry, official sources told Business Recorder.

The sources said the proposal for support of this industry has been included in the agenda after active pushing of Incharge Minister for Textile Industry Ahmad Mukhtar.

An official told Business Recorder on condition of anonymity that powerful Research and Development (R&D) Mafia which kept solvent on rebates and refunds has forced the minister to resubmit a proposal to the ECC.

This proposal, if approved, would be a complete negation of

the 2008-09 budgetary proposals to extend zero subsidy for R&D support to textile industry.

The budget for 2007-08 envisaged zero subsidy on the R&D however the Mafia had successfully pressurised the previous government to extend Rs19 billion for this purpose.

The ministry, in the new incentives package, has proposed that duty drawbacks may be granted to the industry on domestically acquired inputs including gas and electricity tariffs.

The drawbacks would only be allowed to those products, which do not require further value addition. The drawback on locally acquired inputs would not affect the eligibility of the exporters to claim the normal duty drawbacks.

According to the ministry, the drawbacks would be allowed to

manufacturers-cum-exporters who have in-house facility for at least cutting and stitching and covering shipments made with effect from July 1, 2008 to June 2009.

The ministry has proposed that Rs 30 billion may be allocated to cover R&D expenditure during the financial year 2008-09.

It has also been proposed that this drawback scheme for locally acquired inputs may graduate into an investment support fund.

This initiative, the ministry argued would facilitate balancing of the value chain in the textiles and clothing industry, upgrade technology, bring unorganised sector into the organised sector, generate employment and create economies of scale.

The investment promotion fund would reimburse 5 percent interest on investments in machinery to the

targeted textiles and clothing sub-sectors and would cover imports affected through letters of credit to be established from July 1, 2008. The fund would be operational for 5 years and would be reviewed thereafter.

The ministry has suggested that the scheme may also be announced with the name of drawback scheme to encourage investments, which would not have financial implications in 2008-09. However, any claims may be covered from the amount allocated in the budget.

Another major proposed incentive is said to be 20 percent tax credit facility on investment under drawback scheme.

It has also been proposed that reimbursement of interest on loans to textile industry for 2007-08 may continue for another year at the rate of 5 percent.

