

# Key Initiatives needed for immediate revival of Business & Economy

## A Dialogue with the Presidents of Chambers of Commerce & Industry

The Research and Publications Department of ICMA Pakistan reached out to the offices of Presidents of major Chambers of Commerce and Industry in the country with request to identify few key initiatives that the Government must take to provide immediate relief to and stimulate the business, trade, and industry that have been adversely impacted by the prolonged lockdowns due to the pandemic. The key initiatives identified by them are presented here with the hope that these would merit the attention of the Government and policymakers.



President, Lahore Chamber of Commerce and Industry

**Irfan Iqbal Sheikh**



THE LAHORE CHAMBER  
OF COMMERCE & INDUSTRY

### Reduction in Interest Rate

The State Bank policy rate is still on the higher side at 8 percent. The Government should take steps to reduce the interest rate to 5% in line with the regional economies since the high policy rate has made borrowing expensive for the private sector and discouraged investment. The regional interest rates (e.g. India 4%, Bangladesh 6%, China 3.85%, Sri Lanka 5.5%, and Malaysia 2%) should be set as a benchmark.

### Interest-Free Loans for SMEs and Traders

SMEs are the backbone of our economy but get only 7% of private-sector financing. To improve the access to finance for SMEs, the Government must introduce a scheme of

interest-free loans for registered SMEs. The credit limit for registered SMEs should be ten times of their respective electricity bills.

Special consideration for providing interest-free loans should be given to the registered small Traders whereby they should be given loans of Rs 3-5 lakhs on the guarantee of the Presidents of the relevant markets.

### Reduction in Withholding Tax Rate

To reduce the cost of doing business, the Government should reduce the rate of Withholding Tax. Since most of the Businesses operate on very low-profit margins, this rate of 4.5% should be brought down between 0% and 1% to make sure that businesses do not face liquidity problems.



President, Islamabad Chamber of Commerce and Industry

**Muhammad Ahmed**



اسلام آباد چیمبر آف کامرس اینڈ انڈسٹری  
Islamabad Chamber of  
Commerce & Industry

### Reducing Policy Interest Rate to 4%

Keeping in view the high financial cost, the Government should further reduce the policy interest rate to 4% as a high policy rate is a major hurdle in expanding existing industries and making new investments for industrialization in the country, especially in these difficult times.

### Reducing Power Tariff

The government should reduce the prices of electricity and

gas for the manufacturing sector that would reduce the cost of doing business and help in the mass production of products. Utilities are the basic raw material for industries and bringing down their prices would help reduce the production cost, control inflation, and make our end products cost-effective. Cut in power tariff would also boost exports as it will drop the cost of finished goods and make them more competitive in the international market.

### Accelerating Refunds Payment

Refunds of huge amounts are stuck up with FBR due to which businesses are facing a serious liquidity crunch and cash flow problems. Import bills are piling up leading to blockage of inventories at ports. The government should therefore process refunds immediately to address the liquidity issues of businesses. If there is any delay in payment of refunds, the government should allow adjustment of payable taxes against accumulated refunds of income tax, sales tax and customs duty that would help in clearance of consignments stuck up at ports due to liquidity issues. This arrangement will also save businesses from

demurrages and will not create any disturbance in the supply chain.

### Adjustment of Input Tax

Under Section 8 B of the Sales Tax Act, 1990, a registered person is not allowed to adjust input tax in excess of 90% of the output tax for that tax period. Due to this condition, businesses are facing problems at the time of sale as they have to deposit 10% in cash with the return. Therefore, the government should allow registered persons to adjust the input tax of the 100 percent of output tax that would help in reducing the problems of businesses in these tough conditions.



President, Faisalabad Chamber of Commerce and Industry

**Rana Muhammad Sikandar Azam**



### Utilization of frozen IMF/WB funds to establish large projects under PPP

As IMF/World Bank has frozen the payment of Debts for Pakistan due to COVID 19 situation for one year, those funds must be used to establish the large-scale employment projects under Public-Private Partnership (PPP).

### Relief to small businesses to control input cost

The government should focus its economic stimulus programs on providing relief to micro, small, and medium scale business to cover their production loss and market-based supply mechanism be developed to control the input cost.

### Restoring zero-rated facility for five export sectors

The exports, especially the textile exports of Pakistan need to be stimulated by restoring zero-rated status of the five major export sectors and keeping the electricity tariff @7.5 cents/KwH and gas tariffs @ \$ 6.5/ MMBTU for at least the next three years.

### Continuity of GSP plus status

The continuity of GSP plus status to Pakistan is inevitable beyond its expiry in 2023.



President, Sialkot Chamber of Commerce and Industry

**Muhammad Ashraf Malik**



### Enhancing rate of DTL Schemes for Export Sector

The Federal Government's Incentive Program through the DTL Schemes was initiated in FY 2016-17. The drawback which was initially announced at 7% proved to be beneficial for the export sector of Sialkot and provided a much-needed boost to the Industry, resulting in increased export turnovers. However, the rate of drawback was later decreased to 3% and half of which was made conditional with the increase in 10% export from the preceding year. The prevailing economic crisis merits an urgent push to encourage the Industry to invest and strive for increasing export performances. It is strongly recommended that the

rate of DTL Scheme which at present is at 3% under the SRO 711 (I)/2018 should be enhanced to 10% and the mechanism for lodgment of claims should be made simpler based on the issuance of Proceed Realization Certificate (PRC).

### Introducing "No questions asked" policy for investments in Industrial Sector

In the current COVID-19 pandemic situation, when the whole global economy is in recession, the developing countries like Pakistan need to encourage local investors to invest in Industrialization to ensure the future sustainability of the National Economy.

Pakistan has always had the issue of undeclared incomes which can be positively utilized amidst the prevailing crisis. On the other hand, the Government has to utilize options like SUKUK Bonds to manage finances whereas asking its people to invest in industrialization with no questions asked policy can be fruitful in the future. The Federal Government recently announced that No questions would be asked about the source of income for investments in the Construction Industry this year. We believe that the same policy should be launched for investment in the Industrial Sector. This initiative would not only promote industrialization in the country but would also provide jobs and sustenance to millions of unemployed people.

### **Allowing exports of Personal Protective Equipment (PPE's)**

Perhaps the biggest impact of the COVID-19 Pandemic has been on the Exports of Pakistan due to disruption in the

whole supply chain, cancellation of orders, and skyrocketing logistics costs. The value-added export sectors are experiencing a slowdown and are most vulnerable to the negative effects. However, the same value-added sector holds the capability and capacity to tap the potential of staggering opportunity of exporting Personal Protective Equipment around the globe. In the prevailing circumstances, Export of Personal Protective Equipment (PPE's) including Tyvek Suits, Surgical Masks, N-95 Masks, have huge demand. The Federal Government banned the export of the above-mentioned items, which is an opportunity nowadays for the exports to earn precious foreign exchange by exporting these items to European and American markets. It is, therefore, proposed that the Government should fully allow the export of the PPE's, enabling the local industry to diversify into new product lines and capture a major chunk of market share.



**President, Gujrat Chamber of Commerce and Industry**

**Soban Zaheer Butt**



### **Business Enabled Environment and Relief Packages**

In the wake of COVID-19 and its disruptions for the Private Sector, the Government must intervene though it's Policy and Planning departments by carefully and wisely formulating policies and regulations to open up all the sectors with their supply chains and allowing them to resume their activities as they have already suffered. To attain the GDP target for the coming year, the SME sector is very crucial which is facing liquidity crunch and shortage of business capital and for that bridge Financing of working capital for SME's through Central banks would be a bold step along with some more cut in the interest rate so that more and more businessmen can easily avail the loaning facilities. The announcement of a designated scheme of direct financing for the businesses would a booster.

### **Meaningful Economic and Tax Incentives**

The tax regime prevailing in the country in the shape of income-tax, sales tax, withholding tax, wealth tax and Value added tax are high as compared to other counties of the developing world. The Government has announced to increase FBR Revenues but in the current scenario, it would be impossible for it to collect the desired revenues due to

the overall slowdown of Industrial and trade and failing to achieve sales targets by large margins. Direct Tax incentives be given to those sectors that are affected most by the pandemic in the contraction of the economy and are troubled by the depreciation of our local currency. Similar tax regimes like the Construction for other sectors that have exponential growth in recent years would be a major benefit.

### **Engage in Continuous dialogue with the Private Sector**

One of the key steps for the government would be to maintain a close interaction with the private sector and engage it in dialogue while finalizing the policies. This can narrow the major gaps and can be an overwhelming way for the private sector as we have a belief that Government is more a voice of the International Financial Institutions rather than understanding roots causes of its own businesses and evaluating the regulations based on these. This is a major hindrance in deliverance to the private sector as Government owns regulations from IMF, World Bank, Asian Development Bank, and other Financing resources that negates our perspectives.