

Pakistan Knitwear & Sweater Exporters Association

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Value-added textile & apparel sector

Govt urged to declare exports as 100pc federal subject



Ahead of the budget 2026-27, major value-added textile and apparel sector associations have made a unified and strong demand to the government to constitutionally and administratively declare export as a 100 percent federal subject and place it under a single one-window federal authority.

The demand was presented by Muhammad Jawed Bilwani, Chairman of the Pakistan Apparel Forum during a meeting with Minister of State for Finance, Bilal Azhar Kayani at the Karachi Chamber of Commerce & Industry (KCCI). The proposal forms part of joint recommendations submitted by leading exporting associations for the Federal Budget 2026-27.

Bilwani, who is also the Chief Coordinator of All Pakistan Value-Added Textile Exporters Associations, emphasized that export policy, incentives, taxation, and facilitation must be handled exclusively by the Federal Government with uniform rules applied across the country. This centralization is essential to eliminate conflicting provincial interpretations, overlapping regulations, and disruptions in trade.

“Export and import policies need uniform application across the country to avoid conflicting provincial interpretations and regulatory overlapping jurisdictions that can disrupt trade and export,” Bilwani stated.

He added that since bilateral and multilateral trade agreements are signed by the Federal Government, centralized control is necessary to ensure Pakistan effectively meets its international obligations. A single one-window federal authority would also improve ease of doing business, reduce procedural complexity and duplication, and enhance Pakistan’s global competitiveness.

The demand was jointly endorsed by chairmen and representatives of major exporting associations, including: Pakistan Hosiery Manufacturers & Exporters Association (PHMA), Pakistan Knitwear & Sweaters Exporters Association (PAKSEA), Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA), Pakistan Cotton Fashion Apparel Manufacturers & Exporters Association (PCFA), Towel Manufacturers’ Association of Pakistan (TMA)

- Pakistan Bedwear Exporters Association (PBEA), All Pakistan Bedsheets & Upholstery Manufacturers Association (APBUMA), Pakistan Textile Exporters Association (PTEA), Pakistan Denim Manufacturers and Exporters Association (PDMEA), Pakistan Textile Council (PTC), All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association (PFVA)

- Rice Exporters Association of Pakistan (REAP)

The associations stressed that without immediate fiscal and administrative reforms, Pakistan's value-added textile and apparel sector, which contributes 56 percent of the country's total exports, faces the risk of collapse due to uncompetitive costs and severe liquidity shortages. The sector currently operates on razor-thin profit margins of just 2 to 3 percent.

1. Exporters demanded an immediate return to the Fixed Tax Regime for all exporting sectors, replacing the current Normal Tax Regime (NTR). Under the existing NTR, corporate tax stands at 29 percent, while individuals and AOPs face up to 45 percent tax plus a 10 percent surcharge and 10 percent super tax, resulting in what they described as "triple taxation."

Bilwani warned that the shift from FTR to NTR has created severe liquidity and cash-flow problems, with 2 percent tax deducted at the realization of export proceeds (only 1 percent adjustable). He cautioned that continued pressure could force industrialists to shift to other businesses, deter new entrants, reduce export volumes, cause mass unemployment, and weaken foreign exchange earnings.

2. The associations called for the EFS to be restored to its original form under SRO 957(I)/2021. Changes introduced in the previous budget removed zero-rating on local supplies and imposed duties and taxes on imports for exporters. This has forced exporters into a lengthy sales tax refund process, blocking working capital. Billions of rupees in refunds are currently stuck with the government, contrary to the scheme's original objective of easing liquidity pressure.

3. The government was urged to reintroduce the DLTL scheme, which was previously suspended. The proposal includes a 5 percent base DLTL on value-added exports plus an additional 2 percent performance-based incentive for exporters achieving a minimum 10 percent year-on-year growth in exports.

4. Exporters demanded the complete withdrawal of super tax from the export sector and immediate suspension of default surcharge on outstanding super tax amounts, citing its severe impact on liquidity.

To reduce the cost of doing business and support export competitiveness, the associations recommended: Reintroduction of Regional Competitive Energy Tariffs (RCET), freezing of utility tariffs (power, gas, and water) and abolition of taxes on utilities for 100 percent exporting industries, downward revision of the policy discount rate to levels at par with or below those of regional competing countries, adoption of a simplified social security contribution model similar to Bangladesh's, where exporters contribute only 0.03 percent of export turnover (deducted directly from export proceeds) for transparent worker welfare and social compliance

Chairman of the Pakistan Apparel Forum also highlighted that these measures are critical for the survival of the value-added apparel and textile sector amid stiff global competition and historic high manufacturing costs.

Minister of State for Finance Bilal Azhar Kayani acknowledged the joint demands and reiterated the government's commitment to sustainable economic stability and export-led growth through strong public-private collaboration. He noted that consultations were being held across the country on the directives of the Prime Minister ahead of the Federal Budget 2026-27.

The exporting associations presented their proposals as a national priority to promote industrialization, generate urban employment, and boost foreign exchange earnings through a coherent, centralized export strategy.

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