

**Circular to members # 173/2026-27**

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## *Textile sector urges restoration of EFS, final tax regime*



Pakistan's textile and apparel sector on Tuesday urged Finance Minister Muhammad Aurangzeb to reinstate the Export Facilitation Scheme (EFS) in its original form, restore the final tax regime, abolish local taxes and levies, and clear pending refunds/rebates of over Rs 327 billion to the exporters.

Federal Minister for Finance and Revenue Senator Muhammad Aurangzeb held an extensive meeting with a high-level delegation representing Pakistan's textile and apparel sector, comprising leading chambers, associations, exporters, and industry stakeholders from across the country. The delegation presented a comprehensive set of proposals and recommendations for the Federal Budget 2026–27 aimed at strengthening the competitiveness, sustainability, and long-term growth of the country's textile sector and export industry.

The Finance Minister was informed that the effective tax rate for exporters has increased to 68.27 percent because of the cumulative obligations and 2 percent Advance Tax on their turnover. The shift of exporters from the final tax regime (FTR) to the minimum tax regime (MTR) has adversely affected competitiveness and export viability.

The textile sector recommended that the Export Facilitation Scheme (EFS) be returned to its original framework as notified under SRO 957 of 2021, permitting both domestic procurement and importers. Traders and commercial exporters may be excluded from EFS.

Representatives of the textile sector highlighted that the current taxation and export facilitation framework is structured in a manner that systematically blocks 35–40 percent of exporters' working capital in the refund regime. Persistent refund delays severely strain industry liquidity, forcing exporters to bear interest costs on outstanding refunds and limiting expansion. All outstanding refunds may immediately be disbursed, they added. Finance Minister Muhammad Aurangzeb also asked the textile sector to ensure the gradual implementation of digital monitoring mechanisms at spinning units within the textile industry.

The Finance Minister also discussed the government's ongoing efforts to promote transparency, documentation, and improved compliance through digital monitoring systems across key sectors of the economy. He informed the delegation that digital monitoring mechanisms had already been introduced in several major sectors, including sugar, cement, beverages, and tobacco, emphasising that the initiative had been implemented across the board without exception, including in sectors where

business units owned by the Prime Minister's family also operate. He stated that the objective of the initiative is to improve transparency, enhance efficiency, promote fair competition, and strengthen revenue administration through technology-driven systems.

The Finance Minister invited the textile sector to extend its cooperation towards the gradual implementation of similar digital monitoring mechanisms within the textile industry. During the discussion, it was shared that certain textile sector associations and industrial units had already been engaging with FBR teams on the matter and that pilot initiatives relating to digital monitoring had also commenced in some units. Representatives of the textile sector acknowledged the importance of transparency and documentation and agreed to continue consultations with the government and relevant authorities to explore workable solutions that take into account the unique operational structure, supply chain dynamics, and complexities of the textile industry. The participants agreed that continued engagement between the government and industry stakeholders would help develop a practical and mutually beneficial implementation framework.

During the meeting, the delegation highlighted the textile sector's vital contribution to Pakistan's economy as a major source of exports, employment generation, industrial activity, and foreign exchange earnings. The representatives emphasized the importance of maintaining a stable, growth-oriented, and internationally competitive policy environment to enable the industry to effectively respond to evolving global market dynamics and increasing regional competition.

The delegation shared a broad range of policy recommendations focusing on taxation reforms, energy affordability, export facilitation, industrial modernisation, liquidity management, investment promotion, and ease of doing business. The proposals were aimed at reducing the cost of production, improving industrial efficiency, enhancing exporters' liquidity position, encouraging technological upgradation, and creating a more predictable and investor-friendly business environment.

The industry representatives stressed that timely policy support and structural reforms would help strengthen Pakistan's export competitiveness, promote value-added manufacturing, attract fresh domestic and foreign investment, and facilitate greater integration into international supply chains. They noted that improving the operating environment for exporters would support industrial expansion, employment generation, and economic growth while also contributing positively towards fiscal stability and foreign exchange inflows.

The delegation also emphasized the importance of addressing long-standing operational and structural challenges affecting industrial productivity and export performance, including the need for efficient refund mechanisms, rationalized energy pricing structures, facilitation for exporters, and measures aimed at reducing the compliance burden on businesses. It was highlighted that such reforms could significantly improve cash flow management, enhance investor confidence, and enable industries to allocate greater resources towards expansion, modernization, and workforce development.

The proposals further underscored the importance of a policy framework that supports innovation, encourages value addition, facilitates small and medium enterprises, and promotes industrial diversification in line with changing global demand patterns. The delegation noted that strengthening the competitiveness of Pakistan's textile sector would have positive multiplier effects across the wider economy through increased exports, higher industrial output, enhanced job creation, and stronger economic resilience. Federal Minister for Finance and Revenue Senator Muhammad Aurangzeb appreciated the constructive engagement and valuable input provided by the representatives of the textile sector. He reaffirmed the government's commitment to maintaining regular and meaningful consultations with the business community through the dedicated Tax Policy Office of the Ministry of Finance to institutionalize continuous engagement with chambers, trade bodies, and associations throughout the year.

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