



The Pakistan Steel Melters Association

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PSMA/X-017/M
2nd Oct 2015

MINUTES OF

THE MEETING OF THE PAKISTAN STEEL MELTERS ASSOCIATION WAS HELD IN THE HEAD OFFICE OF THIS ASSOCIATION ON 2nd Oct 2015 AT 3 PM.

1. **Attendance.** Annexure 'A'.
2. **Agenda.** Plan Of Activities – Annexure 'B'.
Annual Performance Review – Annexure 'C'.

MIAN IQBAL TARIQ
PRESIDED OVER THE
PROCEEDINGS

3. **Recitation.** The proceedings commenced with the recitation of the Holy Quran by Chaudhry Sarwar.
4. **The Plan of Activities & Annual Performance Review** was approved by the house. The Chairman has directed all the individual members of the **Executive Committee** to **discuss, explain** and **seek the views** of the concerned Members of their areas of Jurisdiction as per rule 23 of Director General Of Trade Organizations rules 2013. It shall include **Future Activities**, Finances and their effects / Out Come of such Activities.




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5. The Chairman also directed the Executive Committee to thoroughly conduct **Annual Performance (Reviews) for Year 2014 Annexure – 'C'**. Review was based on this Performance for coming years. The performance be Reviewed in an **Progressive Manner**.

6. **Closure:** There being no other point the meeting ended with a vote of thanks to the chair.


Maj[®] Mansoor Mahmood
Secretary General
Mob:0334-4173068





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Annexure – 'A'

2nd October 2015

ATTENDANCE ROLL EXECUTIVE COMMITTEE MEETING

S/NO	NAME	Factory Name
1	Mian Iqbal Tariq	Rehman Steel Furnace (Pvt) Ltd.
2	Mr. Malik Muhammad Haroon	Haroon Steel Furnace
3	Mian Aziz-ur-Rehman Chan	Siddique Iron Industrie
4	Ch Liaqat Ali	Liaqat Steel Industries,
5	Ch Ali Mubashir	Badami Bagh Steel
6	Mr. Umair Siddique	Irfan Brothers (Pvt) Ltd
7	Ch. Abdul Majeed	Rafique Steel Casting
8	Mian Muhammad Saeed	Nazir Steel Mills
9	Malik Saleem Akhtar	Hameed Steel Furnace
10	Mr. Muhammad Iqbal	Khuram Steel Mills

THE PAKISTAN STEEL MELTERS ASSOCIATION

PLAN OF ACTIVITIES

For the Year 1st Oct 2015 – 30th Sep 2016

S.No	Proposed Future Activities	Date of Commencement	Date of Accomplishment	Approximately Financial Impact	Intended Goals
1.	Repair Of Generator, Purchase Of Energy Savers, Electric Heater	1 st January 2015	31 st January 2015	1,600/=	Winters
2.	Painting Of Office Chairs & Letterhead Pads Printing	1 st March 2015	31 st March 2015	33,000/=	For Upcoming Year
3.	Generator Service, AC Service	1 st April 2015	30 th April 2015	4,000/=	Requirement Of Office
4.	Office Crockery	1 st May 2015	31 st May 2015	5,000/=	Requirement Of Office
5.	Fans For Office, Generator Repair	1 st June 2015	30 th June 2015	8,000/=	Requirement Of Office For Summers
6.	Likely Envelopes Printing	1 st July 2015	31 st July 2015	8,000/=	Stationary For Office



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Annexure – 'C'

Performance Review Report 2014 - 15

Steel Melting Industry is one of the largest revenue generating sectors in Pakistan. It employs more than 5.4 million trained persons. Direct and indirect taxes amounting to PKR 10 billion fixed rates tax are paid. Input taxes amounting to PKR 12 billion are paid. More than 80% of the steel melting furnaces are located in Punjab. Today they are in doldrums and the industry is in danger of being wiped out. Serious problems are:-

1. **The WHT Issue** The steel melting industry utilizes 50% of imported scrap and 50% is locally purchased. But the local scrap suppliers are too dispersed and fluid to be brought under the tax net. They are unregistered at the FBR and as such do not pay the WHT. It is submitted that the steel melting industry is willing to pay the local scrap suppliers tax which may be fixed @ of 1%. In May 2012, SRO 550 was issued and WHT was levied @ 1% or Rs 400/M Ton on local scrap which was paid by the steel melting furnaces. It is worked out as Rs 0.65 per electricity unit consumed. The mentioned SRO may be continued for the next budget for year 2014/2015 as discussed earlier. @ of 1% or Rs 400/M Ton, be fixed in the electricity bills or @ of Rs 0.65 per electricity unit consumed.

2. **Turn Over Tax at 1%.**

Steel industry is a high volume, highly capital intensive and low margin industry. It was subjected to 0.5% turn over tax but recently has been increased to 1%. This is extremely high and we request that it should be reduced to 0.75% which will amount to 48 paisa per electricity unit to be received from the electricity bills. Whether the industry is in profit or loss this tax has to be paid to the exchequer in any case. It will be full and final liability of the income tax. The melters will get exemption certificate on purchase and sales of WHT and proper certificates will be issued exempting them u/s 148 & 153 of income tax ordinance 2001.

3. **Once the above mentioned taxes i.e WHT & Turn Over tax including 236 G & H are put together the liability of the furnaces comes to Rs 1.30/= per electricity consumed, i.e Rs 0.65 of WHT, Rs 0.48 of turn over tax and Rs 0.17 of 236 G & H. In this fashion the exchequer will receive Rs 30 crore per month. This will amount to Rs 3.5 billion yearly at least.**

4. **Likely Enforcement of GST @ 17% Instead of Special Procedure.**

a. **GST Enforcement.** It was imposed on steel sector in 1996. It remained enforced for more than ten years. Revenue collection targets could never be achieved. FBR could not collect more than 2/3 BILLION RUPEES.

Different formulas were tried but to no avail. All resulted in serious imbalances.

b. **Brain Storming – FBR & Steel Melting Association.** In the year 2007, after hectic consultations special procedure as per SRO 678 was evolved and enforced. Corruption was taken care off. A level playing field was maintained for all the furnaces. The rate of sales tax was fixed. It was to be charged in the electricity bills for the number of electricity units consumed and would be considered as final discharge of sales tax liability. This proved to be extremely successful and beneficial for the government treasury. **MASSIVE REVENUE COLLECTION JUMPED TO 16/17 BILLION RUPEES FOR THE EXCHEQUER.**

5. **Ship plate and Ingot/Billet**

To ensure the difference between ship plate and melting product i.e. ingot/billet the unit cost be kept at Rs 4800/ M Ton (the difference in cost of Rs 6/= per unit in increase between the last and new tariff of NEPRA) for upward adjustment in import duties on demolition vessel and/or downward adjustment in melting products i.e. Ingot/billet as a matter of policy. This will encourage production rather than demolition and will give better steel products in the market to encourage development of downstream Engineering industry.



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6. Sugar Mills- Steel Furnaces Being Established. It has come to the light that a number of sugar mills, are installing steel furnaces, by the extra 1000 MW of electricity produced by them. It is submitted that this extra electricity be sold by them to WAPDA. Then this energy be channelized to the sugar mills(steel furnaces) @ NEPRA tariff. The concerned sugar mills (having steel furnaces) be registered by the FBR as steel melters and PANEL CAPACITY TAX, be imposed from the date of installation of steel melting furnaces.

7. Import Duty

- a. **Import Duty on Wire Rods and Steel Bars Miss Declared under Alloys Steel 72.28:** Increase custom duty from 10% to 20% also under 72.28. Alloys Steel Bars, under remarks" excluding indented or deformed bars " should be added.
- b. **Zero rated Sales Tax for Hotel/Tourism/sporting/other recreational related projects as approved by Ministry of Tourism as per SRO 575 (2006), Item # 8.** Withdraw zero rated concession for ministry of tourism approved projects as per SRO 575 (2006) Delete Serial No. 8 and 9.
- c. Projects that are getting approval from ministry of tourism are importing items such as Steel bars and Steel sections which are manufactured locally as per international standards. As a result, local manufacturers have to reduce their output, which affects jobs and profitability. In addition, FBR is also losing out on the revenue from such zero rated imports.

8. Custom Duty

- a. **Import Duty on demolition Vessels for Ship Breaking** A fixed regulatory Duty of PKR 4,800/- Per ton should be imposed on demolition vessels imported for ship breaking. The government has increased the electricity rates in August 2013 by PKR 6 per unit which translate into a cost increase of PKR 4,800/- Per ton on the steel melting industry. This cost increase has already put many steel melting furnaces out of production due to the widening cost difference between the two sectors.
- b. **Import Duty on Steel Billets HS Code: 7207.1110** Increase Custom Duty from 5% to 10% per Ton. Due to the slowdown in economic activity in China, there is approximately 300 million tons of surplus steel which is poised to be exported at very low prices. Due to incentives given by the Chinese government, such steel being dumped into Pakistan is threatening to wipe out the local industry. In a country where energy and financing costs are very high, we must increase duties to protect our local industry.
- c. **Import Duty on Re- Rollable Scrap.** To increase custom duty from 0% to 10% the import of re-rollable scrap is also creating unfair competition in the steel industry because it is used as a substitute for billet. If the proposed duty on billets is 10% then re-rollable scrap should be subject to the same duty.
- d. **Import duty on Cobble Plates 72.07:** Increase custom duty from 5% to 10% per ton. The import of cobble plates is also creating unfair competition in the steel industry because it is used as a substitute for billet. If the proposed duty on billets is 10% then cobble plates need to be subject to the same duty.
- e. **Consumables for Steel Manufacturing Industry Not made In Pakistan.** Abolish custom duty and sales tax for consumables used in steel industry that are not made in Pakistan. Many consumables, especially Ferro alloys and high quality refractories, are not manufactured in Pakistan and these import duties/ taxes are unnecessarily increasing the cost of steel manufactured in Pakistan. This hurts the end consumers already suffering from high inflation.
- f. **Import Duty on Steel Bars HS Code: 7213 . 1090 ..Import Duty on Wire Rods under 72.13 & 73.14: .. Import Duty on Wire Rods and Steel Bars misdeclared under Alloys Steels 72. 28:**



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It is requested that custom duty be increased from 10% to 20%. Due to the slow down in economic activity in China, there is approximately 300 million tons of surplus steel which is poised to be exported at very low prices. Due to incentives given by the Chinese government, such steel being dumped into Pakistan is threatening to wipe out the local industry. In a country where energy and financing costs are very high, we must increase duties to protect our local industry.

Increase Custom Duty from 10% to 20%. Also under 72.28, Alloys Steel Bars, under remarks "excluding indented or deformed bars" should be added.

- g. **Import of Steel Bars at Zero Rate of Custom Duty and Sales Tax:** Withdrawal of all SROs which allow imports of Steel bars and sections free of Custom Duty and Sales Tax to various government, private and donor financed projects.

There is ample capacity in the country to produce all kinds of Steel Bars and Sections as per International Standards. Hence there is no need to allow imports of Steel products which are produced in the country. This measure will ensure more jobs and expansion of the Steel Industry.

9. Submissions.

a. Special Procedure.

- (1) Due to massive increase in electricity tariff a total tilt has gone in favor of ship breakers resulting in closure of steel melting units. Rs 4.800/= per M Ton may be imposed import duty.
- (2) Furnaces operating in FATA are already creating great problems for our members and imposition of GST would give a massive advantage to Furnaces in FATA.
- (3) Unscrupulous elements would indulge in under invoicing and wrong declarations of goods sold which would result in the destruction of organized/compliant sector in steel.

b. Steel Melting Furnaces In Sugar Mills

- (1) The concerned sugar mills be registered by the FBR and allotted the numbers.
- (2) PANEL CAPACITY TAX, be imposed on sugar mills from the date of installation of steel melting furnaces.
- (3) Scrap @ of Rs 3200/= of sales tax per ton be levied at the port on steel scrap.