



The Pakistan Steel Melters Association

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PSMA/X-019/M

4th Oct 2016

MINUTES OF

THE MEETING OF THE PAKISTAN STEEL MELTERS ASSOCIATION WAS HELD IN THE HEAD OFFICE OF THIS ASSOCIATION ON 4th Oct 2016 AT 4 PM.

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

MIAN AHMED HASSAN
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.

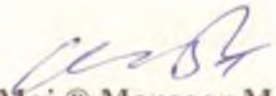


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5. The Chairman also directed the Executive Committee to thoroughly conduct Annual Performance (Reviews) for Year 2015 Annexure – 'C'. Review was based on this Performance for coming years. The performance be Reviewed in an Progressive Manner.

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'

4th October 2016

ATTENDANCE ROLL EXECUTIVE COMMITTEE MEETING

S/NO	NAME	Factory Name
1	Mian Ahmad Hassan	Tayyab Brothers (PVT) Ltd
2	Muhammad Shehbaz	Shehbaz Steel Mills
3	Mr. Hafiz Muhammad Tahir	Hafiz Steel Furnace
4	Mian Aziz-ur-Rehman Chan	Siddique Iron Industries (Pvt) Ltd
5	Mian Muhammad Saeed	Madina Steel Industry
6	Mr. Zahid Malik	Irfan Steel Industry (Pvt) Ltd,
7	Mr. Javaid Naseer	Kareem Steel Industry
8	Ch Ali Mubashir	Badami Bagh Steel
9	Mr. Chaudhry Sarwar	Chaudhry Steel Furnace
10	Ch. Abdul Majeed	Rafique Steel Casting

THE PAKISTAN STEEL MELTERS ASSOCIATION

PLAN OF ACTIVITIES

For the Year 1st Oct 2016 – 30th Sep2017

S.No	Activity	Date of Commencement	Date of Accomplishment	Financial Impact	Intended Goals
1.	To Upgrade The Computer & Printing Letterhead Pads	1 st January 2016	31 st January 2016	15,000/=	Requirement For Office
2.	Likely Generator Service	1 st February 2016	28 th February 2016	2,000/=	Requirement For Office
3.	Likely Office Paint, Crockery, Wall Fans, Fax Machine, Copper Electric Wire, Waste Paper Baskets, Office Sofa Poshish, New Carpet, Qurankhawani, Letterhead Pads	1 st May 2016 & 1 st June 2016	31 st May 2016 & 30 th June 2016	1,45,000/=	Plan For Up gradation Of Office



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Annexure - 'C'

Performance Review Report 2015-16

1. Imposition of Sales tax or Sales Tax Mode Excise Duty at FATA & PATA Areas and Steel Plants (melting and/or rolling) in Sugar Mills to bring all steel industry of the country at par;
2. Since RD @ 5% is imposed on import of scrap therefore, the Sales Tax on Steel Melting units be reduced to Rs.4/- per unit in order to minimize the effect of un-healthy and un-fair competition within steel sector and vis a vis Ship breaking & Steel Units in FATA/PATA, not paying any sales tax.
3. The Advance Sales Tax of Rs.5600/- PMT on import of scrap to be reduced to Rs.1600/-PMT or 5% whichever is higher as was in SRO 1486 of 2012.
4. The Income Tax on Steel Units be made fixed @ Rs.1.0 per electric Unit and to be paid in cash quarterly or adjusted from advance Income Tax paid or refunds; this should be full and final liability. Steel Units should be exempt from audit under various sections.
5. Sales tax on local scrap to be removed or existing SRO 678 to be amended to clarify it and make it clear that there is no Sales Tax on locally generated scrap.
6. Steel units paying Sales tax on power bills under SRO 678 of 2007 be excluded from the purview of total sales tax audit and may be confined to checking to confirm whether all sales tax liability is paid under the SRO 678 or not.
7. Imposition of 15% RD on imported billet has been waived off (given a stay) by the court. The imported billet from China is now cheaper by Rs 10,000/= PMT as compared to billets manufactured in Karachi.

DETAIL OF THE ABOVE MEASURES AS BELOW:

1. Sales Tax Exempted In FATA & PATA: The Steel Units are paying fixed sales tax on power bills. Since, there is a huge incentive to avoid paying sales tax, in this sector, so steel units keep moving to area where, they can enjoy exemption from paying sales tax. The areas like FATA/PATA are exempted from sales tax. The ruling is that the steel units if they sell their product within FATA/PATA, their products are exempted from sales tax. But since there is no Re-Rolling unit in FATA/PATA, all the billets/ingots/bala come to Hattar, Islamabad & Lahore tax areas. These steel units create un-healthy competition. The Units in FATA/PATA must be liable to sales tax on their power bills to create fair competition in the steel market. If this is not done then any increase in sales tax rate in power bills make it more attractive to move to non. - sales tax areas and thus in real sense , decreases the government revenue. Alternative would be to levy equivalent CED on Supervised Clearance basis.



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2. 5% RD On Steel Scrap: FBR has imposed 5% RD on import of steel scrap and thus have made this sector at an disadvantage of about Rs.3/- per Power Unit. The ship breaking industry now has edge of Rs.2000/-PMT over local Ingot & Billet making. To reduce this gap and to make a fair and even field for all stake holders, it is proposed to reduce the sales tax on steel furnaces from Rs.7/- to Rs.4/- per unit. Otherwise, the steel furnace industry will not survive for long in the un-healthy competition.FBR should avoid such taxations which burden one sector and benefit the other one. In this situation , the non tax paying sector flourishes and tax paying sector is squeezed which results in reduction of revenue to the government.

3. Charging Of Rs.5600/-PMT Advance Sales Tax On Import Of Steel Scrap: On the proposal of Steel Melters Association, a sales tax of Rs.5600/-PMT was imposed on the import of steel scrap which is adjustable in the final sales tax liability of power bills of steel units. But this has created serious financial problems for steel melting units. On the one hand,this tax is paid in advance and second, the issuance of sales tax adjustment certificate is used as tool to enhance revenue by tax offices which has created financial difficulties for the steel melting units. It is proposed this sales at import stage be reduced to Rs.1600// PMT or 5% of value whichever is higher as it was in SRO 1486 of 2012.

4. Fixed Income Tax Scheme For Steel Units: At the moment Steel sector is liable to 1% turn over income tax on annual tax returns. It is proposed that Income Tax liability of the Steel Sector be made full and final tax liability like sales tax by imposing Rs.1.0 per electricity unit as Income tax to be paid in cash or adjusted from advance tax on quarterly basis and final. This will increase tax revenue significantly. This has to be optional to avoid litigations; after wards. All Steel Melting Units under this scheme would be exempt from any kind of audit and various exemption certificates be issued for the whole financial year.

5. Sales Tax On local Scrap: With the issuance of SRO 678 of 2007, the local scrap was given exemption from sales tax and this sales tax was recovered from Steel

Units in their power bills. Last year, the exemption of sales tax on local scrap has been withdrawn and now local scrap is liable to 17% sales tax. This change has created confusion as how FBR can ask for sales tax twice. There is a need to amend the sales tax SRO 678 of 2007 so that the steel units paying sales tax under Rule 58H(1) of SRO 678 of 2007,are exempted from recovery of sales tax on their local steel scrap purchases:

6. The Steel Melting Units Paying Sales Tax Under SRO 678 Of 2007 To Be Excluded From The Purview Of Full Sales Tax Audit. It has been observed that Steel Units paying sales tax under SRO 678 of 2007 as full and final are at times asked by FBR for Sales tax audit whereas, these units have already discharged their sales tax liability as full and final by paying sales on their power bills. The SRO 678 of 2007 needs to be amended so that the steel units paying sales tax under SRO 678 of 2007 are out of the purview of complete sales tax audit and confined to specific audit to ascertain whether due sales tax paid under SRO has been paid or not.



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Kindly study the above proposals and make such changes that FBR revenue is enhanced and there is healthy and fair competition amongst all sectors of steel.

7. Import Of Billets - China The surging import of steel is threatening Pakistan steel industry which is in its embryonic stage and employing more than 8 million jobs across the country. The import has depressed the domestic steel production and revenue leading to sharp decline in net income in steel industry which is resulting in layoffs for thousands of workers and reduced wages.

Imposition of 15% RD on imported billet has been waived off (given a stay) by the court. The imported billet from China is cheaper by Rs 10,000/= PMT as compared to billets manufactured in Karachi:

We shall request the FBR to devise a method to overcome huge losses to this industry because of cheap imports from China. Latest working on Cost of Ship Breaking, Cost of Billets making from Imported Scrap and Cost of Local Ingots.

This association would request that duty may be levied on the finished goods - (Billets). Its Import may be stopped forth with to safe guard our local industry.

8. Relocation Of Steel Melting Furnaces Presently there are about 190 steel melting furnaces spread all over the country. Since the inception of Pakistan no proper layout plan as for an organized sector has been made. Because of CPEC many a investments are likely to flow in industry, cannot be allowed to be located haphazardly all over the country. Proper industrial parks be earmarked and established. The steel melting industry utilizes electricity on a very large scale. Heavy vehicles are utilized for transportations of steel goods. If possible proximity of a railway station will help grow the business. In many concerned meetings with the government the benefits of Special Steel Parks have been recommended.