

Written by Shumaila Ahmed
Tuesday, 02 April 2013 09:52 -

KARACHI: Negotiations on the import of around 10 ships have failed between the ship-breakers and their foreign sellers due to the rising financial burden on the industry following issuance of the sales tax and income tax notifications by the Federal Board of Revenue (FBR), ship-breakers said on Monday. ♦ The consignments are now diverted to India and Bangladesh as local importers are unable to purchase and subsequently produce raw materials for the construction industry, ♦ Dewan Rizwan Farooqui, chairman of Pakistan Ship Breaking Association, said. ♦ Members of the ship-breaking association and allied industries staged a protest and hold a press conference at the Karachi Press Club against the Federal Board of Revenue ♦s (FBR) discriminatory statutory regulatory orders (SROs), making the ship-breaking industry uncompetitive in the steel sector. ♦ The chairman said that another seven ships that were imported are stuck at the clearance stage due to amendments brought in the tax regime for the ship-breaking industry. The FBR issued an income tax related SRO on February 26 and the sales tax SRO on March 26 for enhancing the tax rate at the import stage and forcing the ship-breaking industry to pay their dues at the time of clearance instead of paying liabilities at the sales stage. ♦ The members of the association alleged that while issuing these notifications, the revenue body was under the influence of the melting industry, which was not only enjoying tax concessions but also selling the products on higher rates in the market. The chairman said that the re-melting industry is paying sales tax at Rs3,200 per metric ton, while ship-breaking industry is paying Rs5,862 per metric ton. ♦ Instead of facilitating the fact, the FBR further burdened the ship-breaking industry by withdrawing facility of the sales tax installment, ♦ he added. In the recent sales tax notification, the FBR directed the customs authorities not to clear import consignments of the ship-breakers without the sales tax collection. ♦ Earlier, the ship-breakers were required to clear their sales tax liabilities in respect of ships weighing up to 10,000 light displacement tonnage (LDT) within four months, while in case of ships weighing more than 10,000 LDT, within eight months from the date of filing of the goods declaration. ♦ The sales tax liability was to be discharged by the ship-breaker either on completion of the goods clearance obtained from breaking of vessel or within the maximum time period allowed as aforesaid, whichever was earlier. ♦ The ship-breakers also protested the 400 percent increase in the income tax at the import stage. ♦ The FBR made the industry uncompetitive in the local market by increasing the income tax rate from one percent to four percent, ♦ Farooqui said. ♦ The association said that the statutory regulatory orders had been issued one after the other within a period of one month and in turn this had overturned the balance between the ship-breaking industry and the steel re-melting industry. ♦ The ship-breakers paid Rs17 billion under the heads of sales and income taxes during the last four years, ♦ the association chairman said, adding that despite facilitating the re-melting industry, the country suffered a revenue loss of Rs12 billion. They also said that due to the ship-breaking industry, steel bars, the main raw material for the construction industry, is available at Rs62,000 per metric ton, while the products produced by the re-melting industry is around Rs75,000 per metric ton. ♦ The association members said that the re-melting industry has been allowed sales tax payment on 800 units of electricity for the production of one metric ton. They alleged that it was a way of tax evasion as the re-melting industry consumed 600 units for production of one metric ton. ♦ Farooqui said that the revenue body should immediately withdraw the SROs, otherwise the industry would have no other option but to closed down ship-breaking yards that would result in skyrocketing prices of steel bars. ♦

♦

Courtesy: The News