

Government of Pakistan
Ministry of Commerce
National Tariff Commission



**Study
on**

**Abuse / Misuse of Concessionary Duty on
Raw Materials / Inputs**

September 30, 2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page No.</u>
Background	2
Tariff Structure in Pakistan	3
Tariff Reforms	3
Phasing out of Concessionary Tariff Regime	3
Methodology Used to Conduct the Study	4
Identification of Stake Holders and Information/Data Gathering	4
Identification of Raw Materials/Inputs and PCT Headings	5
Identification of Raw Materials/ Inputs of Concessionary Duty	6
Industries allowed Imports of Raw Materials/Inputs at Concessionary Duty	7
Economic Justification for Import of Raw Material/Inputs at Concessionary Rate of Duty	8
Views/Comments of the Stake-Holders	8
Views/Comments of the Domestic Industry	9
Views/Comments of the Customs/FBR	9
Analysis of Imports of Waste and Scrap and Inputs/Raw Materials at Concessionary Rate of duty	10
Imports of Raw Materials/ Inputs at Concessionary Rate of Duty	14
Mis-declaration and Misuse.	15
Conclusions	15
Recommendations	16
Annex-I	17
Annex-II	20

Study On

Abuse / Misuse of Concessionary Duty on Raw Materials / Inputs

A. Background:

1. The Minister for Commerce, in a meeting held on May 19, 2015, desired that the National Tariff Commission (NTC) may conduct a study on Abuse/Misuse of Concessionary Duty on Raw materials / Inputs and lower rate of duty on import of waste and scrap. The purpose of the study is to ascertain whether there is any misuse / abuse of concessions in duty on raw materials / inputs given to different industries under SROs: either through clearing parts, components, machines / motors etc. in the garb of waste and scrap OR selling the raw materials to other users, OR mis-declaration.
2. The Terms of Reference (TOR), duly approved by the Ministry of Commerce, for the study were as follows:
 - i. Identification and analysis of inputs/raw materials imported at a lower/concessionary rate of duty and beneficiary industries/entities.
 - ii. Review of industries allowed import of inputs/ raw materials at concessionary rate of duty, to ascertain whether concession is given to industry producing for domestic market (import substitution industry) or to export oriented industry and whether these industries comply with sanitary and phytosanitary and technical barriers to trade measures.
 - iii. Review of economic/commercial justification for import of inputs/raw materials at concessionary rate of duty.
 - iv. Propose measures required to check import of secondary raw materials instead of prime quality and import of semi-finished/finished products in the garb of raw materials.
 - v. Policy recommendations/interventions (through Trade Policy) for import of prime quality inputs/raw materials for the production of quality products as per international standard.
 - vi. Interaction with stakeholders (importers and industry) to obtain their views/ comments regarding tariff concessions.

2. Tariff Structure in Pakistan

2.1 Pakistan has substantially reduced its tariffs in an attempt to rationalize it by bringing them down from maximum rate of duty of 125% in 1989 with 17 slabs to only 25% with 5 slabs in 2002-03. The tariffs were again raised by imposing regulatory duties of 10% to 15% on more than 600 tariff lines during the period from 2007-08 to 2011-12. The Government of Pakistan again started the tariff liberalization in 2013-14 under an agreement with the IMF and the World Bank, primarily aimed at opening the country's trade with other countries, reducing the cost of doing business and discouraging smuggling.

2.2 Tariff Reforms

In the first phase of tariff reforms that was implemented from July 2014, the government slashed the maximum rate of duty from 30% with seven slabs to 25% with six slabs except for the automobile sector. In the budget 2015-16 the maximum rate of duty was further reduced from 25% to 20% with five slabs. Similarly, it replaced the 0% tariff slab with 2% aimed at removing the structural flaws and improving documentation. It also introduced a new Fifth Schedule to the Customs Act, 1969 in a bid to protect sensitive domestic industries producing item having an impact on common citizens through increase in cost of production (*by way of withdrawal of concessions on raw materials/inputs*).

2.3 Phasing out of Concessionary Tariff Regime

Furthermore, under the Agreement with IMF the Government also started phasing out concessions given to one hundred and fifty seven (157) different industries on import of raw materials / inputs through SRO 565(I)/2006. In the first phase from July 2014, concessions in customs duty on raw materials / inputs of ninety eight (98) domestic industries were withdrawn by removing them from SRO 565(I)/2006. In the budget 2015-16 concessions on raw materials / inputs granted to twenty-four (24) domestic industries were withdrawn by removing them from SRO 565(I)/2006. Concessions allowed in customs duty to remaining twenty-five different industries on import of raw materials / inputs under SRO 565(I)/2006 will be withdrawn w.e.f July 2016.

2.4 Thus, from 2016-17 there will be no imports of raw materials / inputs at concessionary rates of duties and all imports of the raw materials / inputs at

concessionary duty will be transformed to statutory rates of customs duty of either 2% or 5%, hence no question of misuse / abuse of concessionary duties will arise.

2.5 In the past Government allowed a number of industries to import raw materials / inputs at concessionary rate of duty including the waste and scrap at concessionary rate of duty, to facilitate domestic production and keep their cost of production low. The concessions in duty were granted under SRO 565(I)/2006 in a number of cases to avoid anomalies in the statutory rate of duty of output and inputs of various industries. However, these concessions / lower rate of duty are sometimes misused/ abused by unauthorized use of imported raw materials /inputs at concessionary rate of duty or by importing semi-finished / finished goods in the garb of waste and scrap, which not only effects competitiveness of the domestic industry, it also reduces Government revenues.

2.6 Waste and scrap of iron and steel, copper & brass, plastics and waste paper are imported into Pakistan. However, in this study imports of raw materials / inputs including waste and scrap of iron and steel by the domestic manufacturers of steel billets and waste paper by paper and paperboard manufacturing industry are analysed to ascertain whether import of waste and scrap of iron and steel and waste paper at concessionary rate of duty is misused.

3. Methodology Used to Conduct the Study

3.1. Keeping in view the TORs, following methodology is used to conduct the study:

- i. Identification of stake-holders and information / Data gathering;
- ii. Identification of raw materials/inputs / PCT headings to be studied;
- iii. Information/data gathering from the concerned departments/ entities;
- iv. Views /comments of the stake-holders; and
- v. Analysis of the information

3.2 Identification of Stake-Holders and Information / Data Gathering

3.2.1 Top twenty importers of waste and scrap in terms of quantity of imports in each PCT heading during 2014-15 were identified for detailed examination. These importers include domestic industries as well as commercial importers. Questionnaires were sent to these importers to gather data/information for the purposes of this study. They were also requested to offer comments on the misuse of concessionary or lower rate of duty. The Commission received response only from three parties i.e. (i) M/s Amerelli Steel

Industries Ltd., Karachi (one of the largest importer of Iron & Steel Scrap), (ii) M/s Century Paper & Board Mills Ltd (one of the largest importer of waste paper) and (iii) M/s Sadiq Paper Products (Pvt) Ltd.

3.2.2 The NTC obtained information on imports of the inputs/raw materials and waste/scrap from FBR for last three years, which is used for the purposes of this study.

3.2.3 Analysis of the questionnaire response received from Amerelli Steel Industries Ltd., Karachi shows that it has imported 91% to 94 % of its requirements of waste & scrap during last three years and has met the balance from local scrap. The data furnished by it does not reflect any misuse of imported scrap.

3.2.4 The information provided by M/s Century Paper & Board Mills Ltd shows that its imports of waste paper met 30% to 35% of its requirements of inputs, while rest was met from local waste paper, wheat straw and imported wood pulp. The data furnished by it does not reflect any misuse of imported scrap paper.

3.3 Identification of Raw Materials / Inputs and PCT Headings

Identification of PCT Nos. of Waste and Scrap

3.3.1 All the tariff lines containing waste and scrap in the Pakistan Customs Tariff (PCT) were identified at eight digit level along with customs duty rate applicable during 2014-15 and 2015-16. List of all PCT headings of waste and scrap is placed at [Annex-I](#).

3.3.2 At eight digit level there are 187 tariff lines under which waste and scrap of different materials are imported. The data/information of imports under these tariff lines was obtained from the Federal Board of Revenue (FBR). The imports data received from FBR revealed that 56% of the total imports of waste and scrap in terms of quantity were in the following two categories:

- i. Waste & scrap of Iron and Steel; and
- ii. Waste Paper

3.3.3 In view of the above, waste and scrap of iron and steel, and waste paper are selected for analysis in this study.

3.3.4 Waste and scrap of iron & steel is imported under thirteen PCT sub-headings. Therefore, it was burdensome to conduct detailed study on all PCT sub-headings of waste and scrap of iron & steel. Therefore, PCT heading Nos. 7204.3000, 7204.4100 and

7204.4910 relating to waste and scrap of iron & steel, which accounts for 57 percent of total imports of waste and scrap during 2014-15, was selected for detailed examination.

3.3.5 Waste paper is imported under eight tariff lines of Chapter 47 of Pakistan Customs Tariff. However, only two sub-heading Nos. 4707.9010 and 4707.9090, which accounted for 91 percent of total imports of waste paper during the year 2014-15, have been selected for detailed examination.

3.4. Identification of Inputs/Raw Materials of Concessionary Duty

3.4.1 The concessionary regime is contained in Fifth Schedule of the Customs Act, and in the following SROs.

SRO 678(I)/2004	Exploration & Petroleum Companies;
SRO 268(I)/2015	Coal Mining Companies;
SRO 655(I)/2006	Exemptions for Venders of auto sector;
SRO 656(I)/2006	Auto sector exemptions; and
SRO 565(I)/2006	Survey based exemptions

3.4.2 Raw materials / inputs importable at concessionary rate of duty under Fifth Schedule are for specific sectors / industries and are imported under laid down procedures / conditions. Therefore, there is no chance of misuse of these concessions. Thus, imports of raw materials / inputs under fifth schedule of the Customs Act have not been analysed in this study.

3.4.3 Concessions under SROs 678(I)/2004, 655(I)/2006, 656(I)/2006 and 268(I)/2015 are sector specific like Coal mining companies, Oil exploration and petroleum companies etc , therefore, again there is remote possibility of misuse of these concessions. Thus, concessionary imports under these SROs have also not been included in the study for detailed analysis.

3.4.4 In view of above only two items, viz. aluminum profile imported under PCT sub-headings No.7607.1100 and 7607.1900 and alkyd resin imported under PCT sub-heading No.3907.5000 have been selected for detailed examination in this study.

4. Industries Allowed Imports of Raw Materials / Inputs at Concessionary Duty

4.1 Major beneficiary industries of waste and scrap are mild steel billets manufacturing industry (steel melters) and paper and paperboard manufacturing industry, as about 56 percent imports of total waste and scrap was of iron/steel and waste paper during 2014-15 are used in these two industries. Other industries mainly using waste and scrap are plastic products manufacturing industry and sanitary fitting manufacturing industry. Mostly industries using waste and scrap as raw material/inputs are those industries producing import substitution products. The only industry involved in exporting some of plastic products is plastic industry that also uses waste and scrap of plastics along with plastic granules.

4.2 Iron and steel billets are semi-finished product of the domestic industry which is used to manufacture iron and steel bars, wire rods etc. The domestic industry manufacturing iron and steel billets consists of 18 units. Out of these 18 units there are four major producers i.e. (i) M/s Amerelli Steel Industries Ltd., which was already producing Mild Steel Bars integrated its manufacturing facility backwards and set up its own melting unit for production of CC Billets and started producing iron and steel billets in 2010-11, (ii) M/s Agha Steel Industries set up its own integrated facility of manufacturing of CC Billets, Mild Steel Bars and Wire Rods which started its commercial production during July 2012, similarly (iii) ASG Metals Limited, who was already producing Mild Steel Bars integrated its manufacturing facility backwards and set up its own melting unit for production of CC Billets which came into commercial production during July 2013. Similarly Mughal Iron & Steel Industries Ltd, also expanded its capacity of manufacturing billets in 2014.

4.3 Pakistan's total Iron and Steel Billets market is approximately 800,000 MT per annum and the installed capacity of all the producers of billets in Pakistan is around 718,000 MT per annum.

4.4 Similarly the domestic industry manufacturing paper and paperboard consists of two large producers i.e. M/s Century Paper & Board Mills Ltd., M/s Bulleh Shah Packaging (Pvt) Ltd. and more than one hundred other small producers of paper and paperboard. The total installed production capacity of paper and paperboard industry is 1,521,400MT per annum, out of which two large producers represent 511,400 MT per annum (around 34% of total capacity).

4.5 Analysis of the SRO 565(I)/2006 shows that most of the industries allowed to import inputs at concessionary rate of duty are also import substitution industries.

5. Economic Justification for Import of Raw Materials / Inputs at Concessionary Rate of Duty

5.1 In order to provide “even playing field” to the domestic industries in domestic market the Government allowed import of raw materials / inputs including waste and scrap at concessionary rate of duty. The use of waste and scrap as raw material reduces the cost of inputs due to which the domestic industry becomes cost competitive vis-a-vis imported equivalent.

5.2 According to an article titled “*benefits of scrape metal recycling*” obtained from an online journal “*livestrong.com*” the recycling of scrap metals can be quite beneficial to the environment. Using recycled scrap metal in place of iron ore or pig iron can yield the following benefits:

Saving in energy	75%
Saving in raw materials used	90%
Reduction air pollution	86%
Reduction in water use	40%
Reduction in water pollution	76%
Reduction in mining waste	97%

5.3 Every ton of new steel made from waste and scrap of iron / steel saves 1,115 kg of iron ore, 625 kg of coal and 53 kg of limestone.

5.4 Similarly, recycling of one ton of newsprint saves about 1 ton of wood while recycling of 1 ton of printing and copier paper saves slightly more than two tons of wood. Besides this, the recycling of paper results into 40% to 64% reduction in energy. According to the United States Environmental Protection Agency, recycling of paper causes 35% less water pollution and 74% less air pollution.

6. Views/Comments of the Stake-Holders

6.1 The officers of the Commission held meetings with the following and discussed about misuse of concessionary/lower rate of duty:

- i. Amerelli Steel Industries Ltd., Karachi, (one of the top importer /user of iron & steel scrap);

- ii. Century Paper & Board Mills Ltd, Karachi, (one of the top importer / user of waste paper);
- iii. Director Customs Intelligence FBR, Islamabad; and
- iv. Secretary Customs Budget FBR, Islamabad

6.2 Views/comments of the stake-holders are summarized as follows

6.2.1 Views/comments of the domestic industry

- i. Waste and scrap of paper as well as of iron/steel are the most important and major inputs for manufacturing of paper, paper board and steel billets.
- ii. The use of waste and scrap reduces the cost of inputs due to which the domestic industry is at level playing field vis-à-vis imported equivalent.
- iii. There is no chance of misuse of bundled iron and steel scrap.
- iv. Use of waste and scrap in production process is not only energy efficient rather it is also environment friendly.
- v. The waste and scrap under the heads 'others' which is normally not bundled can be misused, however, the duty on these headings is the maximum and the imports are subject to strict checking by the Customs authorities.

6.2.2 Views/comments of the Customs/FBR

- i. It is a wide-spread misconception that imports of scrap / inputs at concessionary rate of customs duty is misused in general. There are instances where these imports are misused, however, ratio of misuse is negligible.
- ii. There are three channels being operated for clearance of imported goods/containers i.e. green, yellow and red channels. No inspection is required

for green channel, yellow channel requires random checking (on discretion of the customs officer) whereas red channel requires mandatory checking.

- iii. Import of waste and scrap of iron / steel is treated as sensitive import and is cleared through red channel, which means all containers are grounded first to avoid mis-declaration. Therefore, there is negligible chance to import finished/usable products in the garb of scrap. However, if there is any complaint, the Customs took immediate action in that case.
- iv. The Govt. is committed to phase out the concessionary regime of import. Number of industries allowed import of raw materials / inputs at concessionary rate of duty under SRO 565(I)/2006 have been reduced from about 157 industries to 25 industries in the budget for FY 2015-16. The remaining concessions available to about 25 industries will be eliminated in the next year's budget. Therefore, no question arises of misuse of raw materials/ inputs imported at concessionary rate of duty.
- v. Old/used auto-parts are allowed to be imported at redemption of fine. The import of used auto-parts is allowed to check smuggling of auto parts as these are smuggled through Afghan Transit Trade. Import of old/used auto parts is misused as usable parts are being imported at very low price. However, there is a mechanism agreed with importers and domestic producers for valuation of such parts.
- vi. The bundled steel scrap and waste paper are mostly imported by the domestic industry and there is negligible chance of misuse of these types of scrap

7. Analysis of Imports of Waste and Scrap and Inputs/Raw Materials at Concessionary Rate of Duty

7.1 Imports of Waste and Scrap

7.1.1 Total imports of all PCT headings containing the description of “waste” or “scrap”, and the imports of waste and scrap of selected commodities (iron and steel scrap, and waste paper) under selected PCT codes for last three years is given in the following table:

Imports of Waste & Scrap

(Qty. = MT, Value = Rs. Million, Unit Value (Rs./MT)

Description	2012-13			2013-14			2014-15		
	Quantity	Value		Quantity	Value		Quantity	Value	
		Total	Rs./MT		Total	Rs./MT		Total	Rs./MT
Total Waste & Scrap	2,017,924	76,735	38,027	2,687,262	91,690	34,120	3,012,969	118,056	39,183
% of total	100	100		100	100		100	100	
Waste Scrap of Iron	818,823	31,699	38,713	1,243,300	33,138	26,653	1,566,018	55,817	35,643
% of total	40.58	41.31		46.27	36.14		51.98	47.28	
Waste Scrap of Paper	121,403	1,975	16,268	129,363	2,190	16,929	133,031	2,145	16,124
% of total	6.02	2.57		4.81	2.39		4.42	1.82	

7.1.2 It appears from the above table that total imports of waste and scrap of iron / steel and waste paper account for around 52% of total waste and scrap imported each year. The remaining 48% include import of plastic scrap, waste and scrap of copper etc. Imports of waste and scrap in terms of quantity increased by 33% in 2013-14 as compared to the previous year while in terms of assessed value the imports of waste and scrap in the same year increased by 19%. In the year 2014-15, the quantity of imports of waste and scrap increased by 12% while its value increased by 29%. Unit value of total waste and scrap reduced by 10% in 2013-14, while it increased by 15% in 2014-15.

7.1.3 The volume of import of waste paper increased on average by 3.4% during 2012-13 to 2014-15 as compared to 2013-14, as the paper industry was using around 18% imported waste paper as raw material in their production of paper.

7.1.4 The volume of imports of waste and scrap of iron & steel increased on average by 26% during 2012-13 to 2014-15, as the use of imported waste and scrap of iron & steel increased from 50% in 2012-13 to 59% 2014-15 as raw material in the production of steel billets.

7.1.5 From the above analysis it is concluded that imports of waste and scrap of iron & steel increased with the increased production of mild steel billets by the domestic industry. Similarly, the ratio of imported waste paper remained aligned to the production of paper by the domestic industry. This might be indicative of no change in misuse (if any) of waste and scrap.

7.1.6 The import of waste and scrap of iron & steel as compared to the total production of billets during last three years is given in the table below:

Imports of Iron & Steel Scrap (MT)

Period	Import of waste & scrap of iron and steel	Production of Billets	Import of waste & scrap relative to production of billets (%)
2012-13	818,823	1,638,500	49.97
2013-14	1,243,300	2,128,300	58.42
2014-15	1,566,018	2,661,867*	58.83

Source: Production of Billets Economic Survey of Pakistan 2014-15

* Extrapolated on the basis of July-March actual data

7.1.7 The above table reveals that the volume of import of waste and scrap of iron & steel has increased with the increase in production of steel billets, indicating that there is less likelihood of misuse of waste and scrap of iron & steel, if any.

7.1.8 The production of paper and paperboard as compared to the import of waste paper during last three years is given in the table below:

Imports of Waste & Scrap of Paper (MT)

Period	Import of waste & scrap	Production of paperboard	Import of waste & scrap as proportion to production of paper and board
2012-13	121403	614300	19.76
2013-14	129363	881800	14.67
2014-15	133031	728667	18.26

Source:- Production of Paper & paper board Economic Survey of Pakistan 2014-15

7.1.9 The above table reveals that the proportion of imported waste and scrap is approximately constant over the years indicating use of same percentage of imported waste paper in the production of paper and paperboard and no misuse of imported waste paper.

7.1.10 Following table shows total import of waste and scrap of iron & steel under selected PCT headings and the import by top importers and their classification into 'industrial' and 'commercial'.

Study on Abuse/Misuse of Concessionary Duty on Raw Materials Prepared by National Tariff Commission

	7204.3			7204.41			7204.901			Total iron waste & scrap		
	20102-13	2013-14	2014-15	20102-13	2013-14	2014-15	20102-13	2013-14	2014-15	20102-13	2013-14	2014-15
Quantity(MT)	124,562	114625	121482	630525	655680	1227270	63737	472994	217266	818823.973	1243299	1566018
(%)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
(ValueRs. Million)	4792	4280	4138	24803	24758	42003	2104	4100	9675	31699	33138	55816
(%)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Imports by top 20 importers												
Quantity(MT)	85,021	85067	81779	382585	391974	698914	52938	450763	137136	520543.751	927804	917829
(%)	(68)	(74)	(67)	(61)	(60)	(57)	(83)	(95)	(63)	63.6	74.6	58.6
(ValueRs. Million)	3323	3204	2846	15408	15189	24471	1770	3293	6223	20501	21686	33540
(%)	(69)	(75)	(69)	(62)	(61)	(58)	-84	(76)	(64)	64.7	65.4	60.1
Imports by industrial importers												
Quantity(MT)	51,628	42792	38528	156940	204093	409470	43036	428645	100553	251603.665	675530	548551
(%)	(61)	(50)	(47)	(41)	(52)	(59)	(81)	(95)	(73)	48.3	72.8	59.8
(ValueRs. Million)	1967	1581	1316	6239	7838	14214	1414	2495	4554	9620	11914	20084
(%)	(59)	(49)	(46)	(40)	(52)	(58)	(81)	(76)	(73)	46.9	54.9	59.9
Imports by commercial importers												
Quantity(MT)	33393	42275	43251	225645	187881	289444	9901	22116	36583	268939	252272	369278
(%)	(39)	(50)	(53)	(59)	(48)	(41)	(19)	(05)	(27)	51.7	27.2	40.2
(ValueRs. Million)	1356	1624	1530	9169	7351	10257	336	798	1669	10861	9773	13456
(%)	(41)	(50)	(54)	(60)	(48)	(42)	(19)	(24)	(6827)	53.0	45.1	40.1

7.1.11 The above table also reveals that proportionate imports by industrial importers significantly increased during 2013-14 which is indicative of the fact that import of waste and scrap of iron & steel is inversely linked to the production of pig iron in the country.

7.1.12 Following table shows total import of waste paper and imports made by 'industrial' and 'commercial' importers.

	4707.901			4707.909			Total waste & scrap of paper		
	20102-13	2013-14	2014-15	20102-13	2013-14	2014-15	20102-13	2013-14	2014-15
Quantity(MT)	49109	56719	45122	72294	72644	87909	121403	129363	133031
(%)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
(ValueRs. Million)	994	1182	926	981	1008	1219	1975	2190	2145
(%)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Imports by top 20 importers									
Quantity(MT)	49071	56450	44947	45288	45677	47035	94359	102127	91982
(%)	(100)	(100)	(100)	(63)	(63)	(54)	77.7	78.9	69.1
(ValueRs. Million)	994	1178	921	609	642	666	1603	1820	1587
(%)	(100)	(100)	(100)	(62)	(63)	(55)	81.2	83.1	74.0
Imports by industrialal importers									
Quantity(MT)	48471	53688	43945	5763	13817	7555	54234	67505	51500
(%)	(68)	(95)	(98)	(13)	(30)	(16)	57.5	66.1	56.0
(ValueRs. Million)	985	1131	894	88	186	114	1073	1317	1008
(%)	(68)	(96)	(98)	(14)	(29)	(17)	66.9	72.4	63.5
Imports by commercial importers									
Quantity(MT)	600	2762	1	39524	31860	28091	40124	34622	28092
(%)	901)	(05)	(02)	(87)	(70)	(60)	42.5	33.9	30.5
(ValueRs. Million)	9	46	27	521	454	383	530	500	410
(%)	(01)	(04)	(03)	(86)	(71)	(58)	33.1	27.5	25.8

7.1.13 The above table shows that import of waste paper are relatively stable and there is increase of 7% and 3% in import quantity during 2013-14 and 2014-15 over previous year. About 70% imports are made by top 20 importers. The imports are made mostly by industrial users.

7.1.14 About 61% of imports of waste paper under PCT heading 4707.9010 is from three countries namely USA, Saudi Arabia and Kuwait.

7.2 Imports of Raw Materials / Inputs at Concessionary Rate of Duty

7.2.1 Total value of imports of inputs/raw material at concessionary rate of duty under SRO 565(I)/2006 and the imports covered under the selected PCT headings are given in the table below:

Imports under concessionary regime through SRO 565(I)/2006

Total Concession	Year	Quantity (K.g)	Assessed Value (Rs.)	Cost of Concession (Rs.)
Total imports under SRO 565(I)/2006	2012-13	1,437,656,001	70,687,684,174	7,075,622,024
	2013-14	1,526,719,881	68,056,836,083	7,239,881,605
	2014-15	1,078,594,290	34,482,005,814	2,926,252,007
Imports of Aluminum Profile (PCT 7607)	2012-13	16,479,973	6,787,098,802	1,025,060,470
	2013-14	17,672,606	7,510,464,826	1,122,272,398
	2014-15	16,910,271	7,208,938,455	725,690,799
Imports of Alkyd Resin (PCT 3907)	2012-13	79,680	205,677,429	20,951,505
	2013-14	68,290	201,929,910	20,192,986
	2014-15	102,290	273,288,590	13,664,425

7.2.2 The above table shows that the question of concessionary imports has significantly reduced over time and the cost of concession have also reduced significantly over time. Therefore, the chances of misuse of concessionary SROs' if there were any, have substantially reduced overtime.

8. Mis-declaration and Misuse.

The misuse is normally misconceived with the mis-declaration. Mis-declaration of goods by the importers is practiced to avoid higher rate of duty on such goods and clearing such goods under a tariff classification attracting lower rate of duty. The mechanism to check mis-declaration has been provided under Section 32 of the Customs Act, 1969. NTC does not have any mechanism or powers to check mis-declaration under its functions enumerated in Section 8 of National Tariff Commission Act, 2015.

9. Conclusions

On the basis of information, analysis and findings in the preceding paragraphs, the following conclusions are drawn:

- i. Major part of imports of waste and scrap is by the industrial consumers for recycling. Such recycling reduces the cost of industries and makes them competitive vis-à-vis imported products. In view of this, unhindered imports of waste and scrap are essential.

- ii. By and large the imports of waste and scrap are in commensuration with the requirements of the domestic industry. Misuse on large scale, which could compensate the benefits on account of economic use of waste and scrap is not found.
- iii. The misuse (if any) of imported waste and scrap and concessionary imports of raw materials is a matter of enforcement at the stage of clearance of imported goods, which is under purview of the FBR. The FBR may strictly enforce and monitor the clearance of goods which according to the officials of Directorate of Customs intelligence and FBR are doing the job in a professional manner as per laid down procedures.
- iv. The concessionary imports are already being shifted to low statutory rate of customs duty and SRO 565(I)/2006 is likely to be abolished in the financial year 2016-17. Misuse, (if any) of the concessionary imports of inputs/raw materials are likely to end with end of the SRO regime.

10. Recommendations

10.1 In view of the above it is proposed that while shifting the raw materials / inputs of 157 industries (*which were allowed to import raw materials / inputs at concessionary rate of duty under SRO 565(I)/2006*) from concessionary rate of duty to statutory rate of duty, the customs duty on such raw materials may be kept at lowest rate of duty of 2% during last phase of withdrawal of concessions under of SRO 565(I)/2006.

10.2. Earlier, the NTC in response to the FBR proposal of withdrawal of concessions granted on import of raw materials / inputs SROs observed as under:

“The NTC understands that while making this proposal FBR has taken into account value of imported inputs and customs duty rates of the inputs, whereas custom duty rate of outputs has not been mentioned in the proposals. In this case there is a possibility that withdrawal of concessions on inputs without considering customs duty rate of output may create tariff anomalies in certain cases. Therefore, the customs duty rate of output should also be considered simultaneously to avoid tariff anomalies. Further, cascading principle should also be kept in mind while concessionary rate of customs duty on inputs are withdrawn.”

Annex – I

PCT Nos.	Description	2014-15	2015-16
0501.0000	Human hair, unworked, whether or not washed or scoured; waste of human hair	5%	5%
0502.9000	waste of such hairs	25%	20%
0505.0000	waste of feathers	5%	5%
0506.0000	Bones and horn- cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products.	5%	5%
0505.0000	Ivory, tortoise- shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not cut to shape; powder and waste of these products.	5%	5%
0508.0000	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttle- bone, unworked or simply prepared but not cut to shape, powder and waste thereof.	5%	5%
0511.9920	Horsehair and horsehair waste, whether or not put up as a layer with or without supporting material	20%	20%
1802.0000	Cocoa shells, husks, skins and other cocoa waste.	5%	5%
2303.0000	Residues of starch manufacture and similar residues, beet- pulp, bagasse and other waste of sugar manufacture, brewing or distilling dregs and waste, whether or not in the form of pellets.	10%	10%
2308.0000	Vegetable materials and vegetable waste, vegetable residues and by- products, whether or not in the form of pellets, of a kind used in animal feeding, not elsewhere specified or included.	10%	10%
2517.0000	Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metaling or for railway or other ballast, shingle and flint, whether or not heat- treated; macadam of slag, dross or similar industrial waste, whether or not incorporating the materials cited in the first part of the heading; tarred macadam; granules, chippings and powder, of stones of heading 25.15 or 25.16, whether or not heat- treated	15%	15%
2525.0000	Mica, including splittings; mica waste.	5%	5%
2619.0000	Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel.	5%	5%
2621.0000	Other slag and ash, including seaweed ash (kelp); ash and residues from the incineration of municipal waste	20%	20%
2710.0000	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils.	10%	10%
2710.9100	Containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs)	20%	20%

Study on Abuse/Misuse of Concessionary Duty on Raw Materials Prepared by National Tariff Commission

2710.9900	Other	15%	15%
3006.9200	Waste pharmaceuticals	20%	20%
3825.1000	Municipal waste	20%	20%
3915.1000	Of polymers of ethylene	25%	25%
4004.0000	Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom	10%, 20%	10%, 20%
4017.0000	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber	20%	20%
4115.2000	Parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour	10%	
4401.0000	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	1%	2%
4501.0000	Natural cork, raw or simply prepared; waste cork; crushed, granulated or ground cork	5%	5%
4706.0000	Pulps of fibres derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material	5%	2%
4707.0000	Recovered (waste and scrap) paper or paperboard.	1%	25%
4707.3090	Recovered (waste and scrap) paper or paperboard.		
5003.0000	Silk waste (including cocoons unsuitable for reeling, yarn waste and garneted stock).		
5004.0000	Silk yarn (other than yarn spun from silk waste) not put up for retail sale		
5005.0000	Silk yarn (other than yarn spun from silk waste) not put up for retail sale		
5103.0000	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock	5%	5%
5202.0000	Cotton waste (including yarn waste and garnetted stock).	10%	10%
5301.0000	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).	1%	2%
5302.0000	True hemp (<i>Cannabis sativa</i> L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).	1%	2%
5303.0000	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and wastes of these fibres (including yarn waste and garnetted stock).	1%	2%
5305.0000	Coconut, abaca (<i>Manila hemp</i> or <i>Musa textilis</i> Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock).	1%	2%
5505.0000	Waste (including noils, yarn waste and garnetted stock) of manmade fibres	10%	10%
6206.1000	Women's or girls' blouses, shirts and shirt- blouses. - Of silk or silk waste	25%	20%

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6214.1000	Shawls, scarves, mufflers, mantillas, veils and the like. - Of silk or silk waste	25%	20%
6215.1000	Ties, bow ties and cravats. - of silk or silk waste	25%	20%
6808.0000	wood waste	25%	20%
7001.0000	Glass waste	10%	10%
7112.0000	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap containing precious metal or precious metal compounds, of a kind used principally for the recovery of precious metal.	5%	5%
7204.0000	Ferrous waste and scrap; remelting scrap ingots of iron or steel.	1, 35%	2, 35%
7404.0000	copper waste	1%	2%
7503.0000	Nickel waste and scrap.	5%	5%
7602.0000	Aluminium waste or scrap	1, 30%	2, 30%
7802.0000	lead waste	1%	2%
7902.0000	zinc waste	5%	5%
8002.0000	Tin waste and scrap.	5%	5%
8101.0000	Tungsten (wolfram) and articles thereof, including waste and scrap	5%	5%
8102.0000	Molybdenum and articles thereof, including waste and scrap	5%	5%
8103.0000	Tantalum and articles thereof, including waste and scrap.	5%	5%
8104.0000	Magnesium and articles thereof, including waste and scrap.	5%	5%
8105.0000	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap.	5%	5%
8106.0000	Bismuth and articles thereof, including waste and scrap	5%	5%
8107.0000	Cadmium and articles thereof, including waste and scrap.	5%	5%
8108.0000	Titanium and articles thereof, including waste and scrap.	5%	5%
8109.0000	Zirconium and articles thereof, including waste and scrap.	5%	5%
8110.0000	Antimony and articles thereof, including waste and scrap.	5%	5%
8111.0000	Manganese and articles thereof, including waste and scrap.	5%	5%
8112.0000	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap.	5%	5%
8113.0000	Cermet's and articles thereof, including waste and scrap	5%	5%
8548.0000	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter.	1,5,25%	2,5,20%

Annex-II**The Domestic Industry**

S.No.	Unit Name	Installed Capacity (MT)
i.	Amreli Steels Limited, Karachi	200,000
ii.	Agha Steel Industries, Karachi	250,000
iii.	ASG Metal Limited, Karachi	195,600
iv.	Aziz Industries Limited	40,000
v.	Karim Aziz Industries Limited	30,000
vi.	Karachi Steel Re-Rolling Mills Ltd.	30,000
vii.	Hattar Steel Mills Limited	48,000
viii.	Mat Cast (Pvt) Limited	24,000
ix.	Ittehad Steel Industries, Limited	30,000
x.	Jabbar Steel Limited, Karachi	40,000
xi.	Iftikhar Steel Limited	36,000
xii.	Sufi Steel Industries Limited	60,000
xiii.	Potohar Steel Industries Limited	20,000
xiv.	M.A Steel Casting Limited	36,000
xv.	Mujahid Enterprises	20,000
Xvi	Khadim Steel Mills Limited	50,000
xvii.	Mughal Iron & Steel Industries Ltd.	250,000
xviii.	Diamond Metals Ltd.	36,000
	Grand Total	717,983

Sources: the Applicants Pakistan Steel Melters Association