

Re-rollable scrap: FBR clarifies GST liability of ship breakers

The Federal Board of Revenue (FBR) has clarified sales tax liability of ship breakers with the direction that discharge of sales tax liability on local supply of re-rollable scrap is to be calculated @ 70.5 percent of total Least Displacement Tonnage (LDT) of the ship imported for breaking. In this regard, the FBR has issued a sales tax clarification to the field formations here on Thursday regarding clarification regarding sales tax liability of ship breakers.

According to the FBR, Board vide C.No. 3(5) ST-L&P/2007(Pt)124944-R, dated 28.09.2016, had issued clarification under the signatures of Second Secretary (ST&FE Policy), regarding sales tax liability of ship breakers which read as under:

"I am directed to refer to your letter No. Nil, dated 16.09.2016, on the subject and to say that under sub-rule (4) of rule 58H of the Sales Tax Special Procedure Rules, 2007 (amended from time to time), ship breakers shall only pay sales tax at the rate of eight thousand rupees per metric ton of re-rollable scrap supplied by them at the time of import. The quantity of re-rollable scrap shall constitute 70.5% of the total LDT of the ship imported for breaking."

It has been brought to the notice of the Board by filed formations that insertion of the word "only" in the clarification gives the impression that payment of sales tax at the rate prescribed in sub-rule (4) of rule 58H of the Sales Tax Special Procedure Rules, 2007 calculated at 70.5% of the total LDT of the ship imported for breaking constitutes final discharge of the sales tax liability ie in respect of local supply of re-rollable scrap as well as on other materials obtained during the process of ship breaking, the FBR said.

Accordingly, in supersession of Board's clarification C.No.3(5)ST-L&P/2007 (Pt)-124944-R, dated 28.09.2016, it is hereby clarified that sales tax liability of a ship breaker at the rates prescribed in sub-rule (4) of rule 58H is the discharge of sales tax liability on local supply of re-rollable scrap which is to be calculated @ 70.5% of total LDT of the ship imported for breaking as had been clearly laid down in sub-rule (4) of rule 58H before its substitution vide SRO 583(1)/2017, dated 01.07.2017. This discharge of sales tax liability does not cover sales tax liability on account of other materials obtained during the course of ship breaking and subsequently supplied.

It may be further noted that w.e.f July 1, 2017 through substitution of sub-rule (4) of rule 58H vide SRO 583(1)/2017, dated 01.07.2017, liability of a ship breaker has been made final to be calculated at eighty percent, in case of oil tankers and gas carriers and at 72.5% for other vessels of the total LDT of the ship imported for breaking and discharge of sales tax liability @ 8500 PMT includes sales tax liability on other materials besides re-rollable scrap obtained during the process of ship breaking and subsequently supplied.

