



Govt declines relaxation in GIDC recovery

ISLAMABAD: Confronting them with their healthy profits, the government on Friday declined any relaxation in recovery of Gas Infrastructure Development Cess (GIDC) and asked the fertiliser and textile industries to start paying their Rs250 billion outstanding liabilities.

Two delegations of fertiliser and textile industries had separate meetings with a government team led by Adviser to the Prime Minister on Finance and Revenue Dr Abdul Hafeez Shaikh to seek extension in payment schedule and other discounts for clearing their GIDC liabilities.

Fertiliser Manufacturers of Pakistan Advisory Council (FMPAC) chairman retired Lt Gen Tariq Khan and All Pakistan Textile Mills Association (APTMA) chairman Dr Amanullah Kassim Machiyara led their respective delegations. The government team included Minister for Industries Hammad Azhar and Special Assistant to the Prime Minister (SAPM) on Petroleum Nadeem Babar, besides senior bureaucrats.

The two associations "in two separate meetings requested the adviser on finance to extend the time limit for the payment of GIDC so that both industries could have a better liquidity position", said an official statement.

The FMPAC demanded a 10-year payment plan for GIDC, instead of two years ordered by the Supreme Court.

Asks fertiliser, textile industries to start paying Rs250bn outstanding liabilities

According to informed sources, Hammad Azhar told the FMPAC that GIDC had been imposed in 2011 and the industry had started collecting it from farmers and then obtained a stay order from the court but did not reduce the fertiliser price. He said that since the Supreme Court had settled the matter in its final judgement and ordered the government to recover the outstanding GIDC in 24 monthly installments, the industry should honour the court order and start paying their dues.

SAPM Babar also said that since the industry had collected GIDC from farmers through fertiliser prices, there was no more justification for them to seek relaxations beyond 24 instalments as ordered by the apex court. He also challenged their liquidity problems, saying the profitability of Fauji Fertilisers Company (FFC) ranged 48 per cent and 60pc over the last three years, while other units also enjoyed 55-60pc profits.

Mr Babar told the delegation that the only option left to the industry was that fertiliser units could file an appeal in the court for extension in the deadline for payment and only then the government could oblige.

The FFC was also shown its financial results of 2019 where it had reported to have collected and set aside more than Rs61bn on account of GIDC. On page 327 of the FFC balance sheet, the auditors clearly put on record "Rs61.064bn (2018: Rs42.083bn) on account of GIDC. The matter is sub judice in the Supreme Court of Pakistan". The team was asked to clear its dues now that the matter had reached finality with the judgement of the Supreme Court.

The delegation was told that total payables by FMPAC members stood at Rs132bn, excluding two new fertiliser plants of Fatima and Agritech, which claim to be dealt under a different fertiliser policy.

The fertiliser units have already warned the government that they would have to increase fertiliser prices if it insists on recovery of GIDC.

Engro Fertilisers had also declared to have collected Rs19bn (GIDC) payable from October 2016 onwards and reported the amount to have been kept in a separate term deposits account and not utilised for the business purpose.

The textile industry also reported similar liquidity problems and sought various relaxations. The textile units have a total GIDC payable of Rs116bn. As the government had declined to provide any facility, the delegation of textile sector representatives said they planned to file a review petition in the Supreme Court.

Adviser Hafeez Shaikh, however, constituted two committees led by Hammad Azhar and comprising Nadeem Babar, the finance secretary and a representative of the Federal Board of Revenue (FBR) to support the fertiliser industry in whatever manner in the post-coronavirus situation, but not on account of GIDC.

He underlined that the SC decision had to be implemented. "The issue will be resolved in the light of the decision of the court, but the government will also support the industry in the post-coronavirus environment".

Dr Shaikh asked the committees to look into the issue of GIDC to propose two-three workable options for an amicable solution.

The second committee will have representatives from the APTMA, finance ministry, FBR, SAPM on petroleum, PM's adviser on commerce and minister for industries. The industries minister will head both committees and present recommendations in the meeting to be held next week.

The Supreme Court had on Aug 13 ordered the government to recover Rs457bn outstanding GIDC in 24 monthly installments against various industries out of Rs752bn accrued since imposition of the cess. The government has already collected Rs295.4bn.