



Aluminium Recycling Business in Deep Crisis due to Accumulation of GST - MRAI



Dr. Kishore Rajpurohit
Executive Committee Member of
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Indian Aluminium metal recycling Industry having more than 5,000 small and medium scale units which are contributing more than 50% of the India's total aluminium production.

These units are passing through a very tough time due to accumulation of GST. So far, GST Council has conducted more than 25 meetings with continuous efforts to make the GST structure robust.

In addition to this, the import value of scrap is artificially marked up by the Customs Department while re-assessing the consignment based on the benchmark

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- Dr. Kishore Rajpurohit

London Metal Exchange price for primary aluminium metal.

“If the import value of a container with 20 tonnes of scrap is priced at \$1,100, the Customs values it at \$1,400 for levying the import duty of 2.5 per cent. The value addition on the scrap itself is not more than \$200,” he said.

The Customs authorities are using the ‘alert’ published by the Directorate General of Valuation in 2016 to reassess the value of imports higher, he added.

Besides, tremendous problem for them to get the refund of the same. These aluminium recycling unit helps to save around 95% of Energy consumption as compared to Primary Aluminium sector.

Thereby, reducing the Carbon

Emissions, Provides Employments on Large Scale compared to Primary Aluminium.

Of the total imported aluminium scrap, 70% scrap is being used to manufacture automotive casting produced by mould casting and high pressure die casting. This alloy has excellent castability, good mechanical properties and cost-effectiveness. While remaining 20% scrap is being used for Deox used in Steel Plant for Deoxidation.

As per the industry data, secondary aluminium sector produces around 8.50 Lacs Tons of Alloy Ingots for Automotive Industry and 1 Lac Tons of Deox. Thereby, giving employment to around 1.50 Lacs People in India of

which around 30% are Women Workers. Remaining scrap is being used by Aluminium Utensils manufacturers.

Thus, the SME's and MSME's are facing the heavy crunch of funds due to the blockage of funds in GST structure. On one side, they are paying Interest to Bank on their capital and on the another side, their crores of Rupees are lying with Government at Zero Interest as expressed by Dr. Kishore Rajpurohit, Executive Committee Member of MRAI. If this is not sorted out in time, then it will be a big setback for the Aluminium Recycling Industries, he added further.

Similarly, 18% GST on Aluminium Scrap needs to be reduced to 12% in order to overcome the problem of Accumulation of the GST.

Also, there will be no loss for the Government as the Finished Goods will be continuing to be charged at 18% as earlier, said Dr. Purohit.

Aluminium Scrap is the Main Raw Material of Aluminium Recycling Industry. At present the majority requirements of raw material is imported due to unavailability of uniform and quality Scrap in India.

In the present scenario, Indian Metal Recycling Industry is totally depends on Import of scrap as the key raw material and therefore, we are paying import duty on raw material. It is very difficult Phase of aluminium metal recycling industry to sustain against duty free import of finish products for the last three years.

Therefore, the Aluminium Recycling Industry is still expecting the reduction of Customs Duty on Aluminium Scrap from 2.50 % to Nil because of the tough competition from the Exports from Asean Countries of Aluminium Alloy and Deox at Nil Duty. In the past three years, Exports of Aluminium Alloys from Asean Countries had been increased significantly which lead to a poor performance of SME's and MSME's and increase in unemployment as revealed by Purohit.

At the same time, secondary



aluminium metal manufacturers are paying 2% import duty on imported scrap which is the basic raw material. At present the majority requirements of raw material is imported due to unavailability of Uniform and Quality Scrap in India.

Besides, this industry is facing heavy loading in the Value for the Assessment of Custom Duty and IGST. During the last 6 Months, the Value Loaded on the Invoice Value is around 20% to 30%.

This is because the Customs Authority are considering the Alert Published by DGOV and are charging more duties. Whereas as per the GST Law, The IGST Should be charged on the basis of Transaction Value.

On other side, the Value Addition in this Sector is very less which is hardly around 12% to 15% of which Major items like Fuel and Fluxes are coming in GST. Due to this the GST had started accumulating in the books right from beginning.

Overall, Aluminium Scrap import is undergoing heavy loading in the Value for the Assessment of Customs Duty and IGST. During the last 6 Months, the Value Loaded on the Invoice Value is around 20% to 30% based on the Alerts Issued by DGOV. Whereas per GST

Law, IGST Should be charged on Transaction Value.

The Value Addition in Aluminium Recycling is hardly around 12% to 15% of which Major items like Fuel and Fluxes are coming in GST. So the Net Value Addition is around 8 to 10% whereas Duty is being paid on 20 to 30% higher value due to which Custom Authority is not following custom act rules 14(1) for valuation and because of this, the GST had started accumulating in the books right from the beginning.

Metal Recycling Association of India (MRAI) approached CBEC Head & DGOV to Assess the Aluminium Scrap on Invoice Value as well as other Authorities for reduction of GST on Aluminium Scrap from 18% to 12%. But, till now no action has been taken for the same as expressed by Dr Kishore Rajpurohit, Executive Committee Member of MRAI.

MRAI urged to reduce GST on Imported Scrap and not on Finished Goods. Also, the Scrap should be assessed on the Transaction Value and not the as per the Alerts of DGOV at Ports. This will help the SME's and MSME's which are the backbone of our Economy.