



# PORAM CIRCULAR

Circular No. 011/2016

4 February 2016

## OUTCOME OF DIALOGUE SESSION WITH YB MINISTER ON 2<sup>ND</sup> FEBRUARY 2016

Following are the response given by YB Minister to the question posed by PORAM.

### Question 1:

PORAM and MEOMA have been asking for the Government for the removal of the current 5% export duty on RBD Palm Kernel Oil. This request has been on hold for almost 2 years now. In the meantime we have observed that the export of RBD Palm Kernel Oil has been on a declining trend and the import of processed palm kernel oil has continued to increase. This situation will get worse especially since July 2015, the Indonesian have re-structure their CPKO export tax structure and giving at least US\$30 cost advantage to the export of its processed palm kernel oil.

PORAM survey has indicated that our members including in Sarawak and Sabah are not able to compete with the Indonesian in selling RBD Palm Kernel Oil because the Indonesian are selling their RBD Palm Kernel Oil almost at the same price of Malaysian CPKO. Can we get some closure on this request and how we can move forward?

### Answer 1:

***The Government is still considering to remove the 5% export duty on RBD Palm Kernel Oil. Currently, a total of 6 companies are given quotas to export RBD Palm Kernel Oil without paying any duty. Exporters can request for such duty free quota from the Ministry for consideration.***

### ***Note :***

***There are conditions that exporters must comply before the duty free quota can be given. This is to be decided on case-to-case application.***

### Question 2:

“PORAM has been informed by MPOB that the ‘Temporary Suspension of Palm Oil Import’ is still being enforced as of to-date. Although YB Minister had clarified earlier that it was not a total ban but a temporary suspension on a case to case basis; and therefore refiners are expected to practise restraint to limit imports in the backdrop of higher stock level. Our Members are of the opinion that high stock alone is not the only reason for depressed palm oil prices. Other factors like weather, economic fundamentals of major importing countries and currency fluctuations must also be taken into considerations. Instead, refiners should be encouraged to value add whatever palm oil product that is imported into the country. PORAM would like to request for the temporary import suspension on palm oil is to be lifted immediately.”

**Answer 2:**

*YB Minister has agreed to lift the temporary import suspension on palm oil with immediate effect.*

*Note :*

*PORAM has written to MPOB to request for a circular/notification to be circulated to all members.*

**Question 3:**

PORAM is disappointed to report that many of our members are not getting our refunds (input tax) within the stipulated timeframe of 14 days as gazetted. It is almost a year now and it is our earnest hope that the Government will continue to further improve in their refunding process.

Beside refunds, our immediate concern now is on the subject of string contracts which have a detrimental effect on FOB trading volume in order to push more export from Malaysia. Since last year, PORAM have had several meetings with Royal Malaysian Customs Department (RMCD), Ministry of Finance (MoF) and MPOB. We are happy to note that both Royal Malaysian Customs Department and MPOB officials claimed that they fully understood the mechanics and importance of string contracts in the Malaysian Palm Oil Industry. PORAM has been requesting for string contracts to be Zero Rated because in practice, there is no physical movement of cargo from one party to the other in the string but only buying and selling documents until it reaches the final FOB shipper. More importantly, foreign trading companies are moving away from participating in paper trading as they too were subjected to paying GST. This situation does not augur well for the palm oil market development in the country.

The Ministry of Finance is yet to make a decision on PORAM's request. In the meantime, we are seeing a decline in FOB trading volume which partly explains the declined in processed palm oil export in 2015. What can the Ministry do to help resolve the GST issues on string contracts and to overcome any negative impact it may have on the commercial aspects of the industry?

**Answer 3:**

**With regards to string contracts, the Ministry will look into the matters with the Ministry of Finance.**

**YB Minister is more concern on the delay in getting refunds (input tax) on time. PORAM has been asked to submit the list of companies who are still experiencing delays in receiving their refunds.**

**Note :**

**PORAM will circulate a new survey to Members for compilation. The list is to be submitted to YB Minister by end of February 2016.**

Thank you and kind regards.

Yours sincerely,

Mohammad Jaaffar Ahmad  
Chief Executive Officer  
The Palm Oil Refiners Association of Malaysia