

SARS adds to Evraz Highveld's troubles

An audit letter from the South African Revenue Service (SARS) indicating that SA's second-largest steelmaker owes tax worth R680m between 2007 and 2009 has further complicated its potential sale to Hong Kong-based metals interests.



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But the joint business rescue practitioners of Evraz Highveld Steel and Vanadium say despite the "additional tax assessments" they "remain of the view" there is a reasonable prospect of rescuing the company, even as it missed another business rescue proceedings deadline.

"(In November), the company received a finalisation of audit letter from SARS ... whereof SARS advised that it had finalised its audit in respect of the company's income tax for the 2007 to 2009 tax period," Highveld said last week.

However, joint business rescue practitioners Piers Marsden of Matuson & Associates and Daniel Terblanche of Mazars have formally requested SARS to provide "detailed reasons for reaching the decision to issue the aforesaid additional assessments", as provided for in the Tax Administration Act.

In April last year, Evraz Highveld applied for its JSE listing to be suspended as it could no longer continue as a going concern. Highveld's creditors have accepted a R350m offer by Hong Kong company International Resources Project to buy

about R1.2bn of the company's debt in two tranches.

Additional potential liabilities were earlier estimated to reach R1bn including for environmental cleanup costs and taxation issues.

The SARS letter comes as the company's London-listed parent has instituted several court challenges in recent months to annul the sale. It claims the terms of disposal are not in the best interests of Highveld nor the economic prospects of the Emalahleni region in which it operates.

The Russian-backed Evraz group in the UK initially challenged the fact that creditors of Highveld's 74%-owned Mapochs magnetite iron ore mine in Limpopo voted in favour of the mine's separate business-rescue plan. The mine supplies Highveld with vanadium-bearing ore and is seen as critical to the company's own business-rescue proceedings.

But Evraz later said amendments to the mine's plan attended to its concerns and it dropped the application.

The SARS bombshell comes after the South African Iron and Steel Institute, representing steelmakers ArcelorMittal SA, Cape Gate and Scaw Metals Group, applied to the International Trade Administration Commission of SA for an increase in duties on steel wire rod and reinforcing bar widely used in construction materials.

Evraz Highveld has applied separately to the commission for an increase in the rate of customs duty on structural steel.

SARS, the state-mandated Industrial Development Corporation and the National Union of Metalworkers of SA have opposed the court proceedings instituted by Evraz subsidiaries East Metals and Mastercroc to declare Highveld's business rescue plan invalid.

The business rescue-practitioners also said that despite the Department of Economic Development not being a party to this litigation, the entity had expressed its opposition to the main application to invalidate the sale to International Resources Project.

Source: [Business Day](#) via I-Net Bridge

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