



GOVERNMENT OF PAKISTAN  
DIRECTORATE GENERAL OF CUSTOMS VALUATION  
CUSTOM HOUSE KARACHI

\*\*\*\*\*

**The Collectors of Customs**, Model Customs Collectorates, Appraisement (East / West) / Port Qasim / Preventive, Karachi / Lahore ( Appraisement / Preventive) / Sambrial (Sialkot) / Faisalabad / Multan / Islamabad /Hyderabad/ Quetta / Peshawar/ Gawadar/ Gilgit-Baltistan.

**Determination of Customs Values of Welding Electrodes (MS, SS, Bronze)**  
**under Section 25-A of the Customs Act, 1969**

(VALUATION RULING NO. 834-2016)

No. Misc/11/2015-VI

18780

Dated: April 15, 2016

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Welding Electrodes (MS, SS & Bronze) are determined as follows : -

2. **Background of the valuation issue:** Recently the importers of Welding Electrodes have agitated against the customs values of Welding Electrodes determined vide Valuation Ruling No.518/2012, dated 27-12-2012 mainly on the ground that the values of the subject goods are traded in the international market on much lower side. Thus, an exercise to determine the Customs values of the subject goods afresh was initiated.

3. **Stakeholders' participation in determination of Customs values:** Meeting was scheduled on 17-03-2016 with stakeholders including the representatives of importers, manufacturers and trade bodies. All the participants were requested to submit the following documents so that correct customs values could be determined: -

- i) Invoices of imports during last three months showing factual value.
- ii) Websites, names and E-mail addresses of known foreign manufacturers of the item in question through which the actual current value can be ascertained.
- iii) Copies of Contracts made / LCs opened during the last three months showing the value of item in question.
- iv) Copies of Sales Tax Invoices issued during last four months showing the difference in price (excluding duty and taxes) to substantiate that the benefit of difference in price is passed on to the local buyers.

4. The requisite documents were not submitted by the participants. Few importers submitted certain record like import invoices and sales tax invoices. Manufacturers, on the other hand contended that manufacturing cost of electrodes in China is cheap due to mass production at extremely low cost raw material for Welding Electrodes available in China cheaper labor and electricity cost as compared to Pakistan. They contended that all these factors make it difficult for the local manufacturers to compete with the imported goods. Manufacturers informed that due to under-invoicing and smuggling only two local manufacturers of welding electrodes are operating and the rest could not survive and was of the view that there is hardly 5% decline in prices of Welding Electrodes in the international market. They further contended that the price locally manufactured electrodes is 10% to 15%





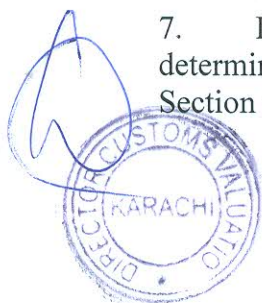
higher than the imported ones. They also contended that electrodes attract high duty rates and there is no FTA on this commodity and that 10% regulatory duty has also been imposed. (The rate of regulatory duty was later enhanced from 10 % to 25% vide notification SRO 236(I)/ 2016 dated March 21, 2016). Furthermore China gives rebate at 13% on the export of electrodes. They argued that this item is heavily under-invoiced and smuggling prone. Contrary to this the importers were of the view that as per law the prices of locally manufactured Welding Electrodes are not applicable and closure of local manufacturing industries of Welding Electrodes has no nexus with the import. During the stakeholders meeting both parties asserted to conduct joint market survey, along with representatives of importer, manufacturers and FPCC&I for the determination of worked back values. In spite of repeated reminders, FPCC&I abstained from participating in the survey. However, joint survey in the presence of representatives of importers and manufacturers was conducted. The result indicated that market prices have been manipulated, as there were significant differences in the prices, therefore, the results were discarded. Independent market survey was conducted again which indicated different prices.

5. **Method adopted to determine Customs values:** Valuation methods given in Section 25 of the Customs Act, 1969 were applied sequentially to address the valuation issue at hand. Transaction value method provided in Section 25 (1) of the Act *ibid* was found inapplicable because the required information under the law was not available. Identical and Similar goods valuation methods provided in Sub-Sections (5) and (6) of Section 25 of the Customs Act, 1969, provided reference values but due to significant variation, this information could not be exclusively used for determination of customs values. Consequently market survey as provided Sub-Section (7) of Section 25 of the Customs Act, 1969 was conducted and customs values were worked back from the results.

6. **Customs values of Welding Electrodes :** Welding Electrodes (MS, SS & Bronze) *hereinafter specified* shall be assessed to duty / taxes at the following Customs Values :-

S. No.	Description of goods	PCT	Proposed PCT for WEOC	Origin	Customs Values (C&F) US\$/Kg
(1)	(2)	(3)	(4)	(5)	(6)
01.	MS Welding Electrodes AWS E6013	8311.1000	8311.1000.1010	China	0.70
			8311.1000.1020	Other Origins	0.81
02.	MS Welding Electrodes AWS E7018		8311.1000.1030	China	0.75
			8311.1000.1040	Other Origins	0.86
03.	SS Welding Electrodes		8311.1000.1050	China	2.50
			8311.1000.1060	Other Origins	2.88
04.	Bronze Welding Electrodes		8311.1000.1070	China	7.00
			8311.1000.1080	Other Origins	8.05

7. In cases where declared/ transaction values are higher than the Customs values determined in this Ruling, the assessing officers shall apply those values in terms of Sub-Section (1) of Section 25 of the Customs Act, 1969. In case of consignments imported by air,





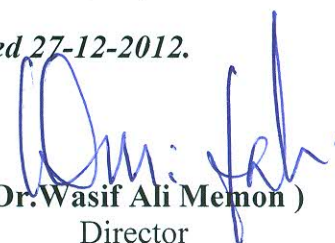
the assessing officer shall take into account the differential between air freight and sea freight while applying the Customs values determined in this Ruling.

8. **Validity of this Valuation Ruling:** The values determined vide this Ruling shall be the applicable Customs value for assessment of subject imported goods until and unless it is rescinded or revised by the competent authority in terms of Sub-Sections (1) or (3) of Section 25-A of the Customs Act, 1969.

9. **Revision of the value determined vide this Valuation Ruling:** A revision petition may be filed against this Ruling, as provided under Section 25-D of the Customs Act, 1969, within 30 days from the date of issue of this ruling, before the Director General, Directorate General of Customs Valuation, 7<sup>th</sup> Floor, Custom House, Karachi.

10. The Collectors of Customs may kindly ensure that the values given in the Ruling for the given description of goods are applied by the concerned staff without fail. Any anomaly observed may kindly be brought to the notice of Directorate General immediately.

11. ***This ruling supersedes Valuation Ruling No.518 / 2012, dated 27-12-2012.***

  
( Dr. Wasif Ali Memon )  
Director

Copy for information to : -

1. Member (Customs), F.B.R., Islamabad.
2. Director General, Customs Valuation, Custom House, Karachi.
3. Chief Collector of Customs, South (Appraisalment), Custom House, Karachi.
4. Chief Collector of Customs, South (Enforcement), Custom House, Karachi.
5. Chief Collector of Customs (Central), Lahore.
6. Chief Collector of Customs (North), Islamabad.
7. Director General, Intelligence and Investigation-FBR, Islamabad.
8. Director General, Audit (Customs & Petroleum), 1<sup>st</sup> Floor, PT&T Audit Building, Mauj-e-Darya Road, Lahore.
09. Director General, Post Clearance Audit (PCA), Islamabad.
10. Director General, Internal Audit (Customs), Karachi.
11. Directors, Intelligence & Investigation, Karachi / Lahore / Islamabad/ Quetta Peshawar/ Faisalabad.
12. Director, Directorate of Customs Valuation (Camp Office), Lahore.
13. Deputy Director (HQ), Directorate General of Customs Valuation, Karachi, for uploading in One Customs & WeBOC database system and deleting Valuation Ruling No.518/2012, dated 27-12-2012 from the system.
14. Chairman (Valuation Committee), FPCC&I, Federation House, Clifton, Karachi.
15. Chambers of Commerce & Industry, Karachi, Lahore, Islamabad, Hyderabad, Quetta & Peshawar.
16. Law Section, Customs Valuation, 7<sup>th</sup> Floor, Custom House, Karachi.
17. Review Section, Customs Valuation, 7<sup>th</sup> Floor, Custom House, Karachi.
18. Karachi Customs Agents Group, Bohri Road, Karachi.
19. CHO, Customs Valuation, Custom House, Karachi.
20. Notice Board, Customs Valuation 7<sup>th</sup> Floor, Custom House, Karachi / MCC, Appraisalment, 1<sup>st</sup> Floor, Custom House, Karachi.