**GOVERNMENT OF PAKISTAN**
DIRECTORATE GENERAL OF CUSTOMS VALUATION
CUSTOM HOUSE KARACHI
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**The Collectors of Customs**, Model Customs Collectorates, Appraisement (East / West )/ Port Qasim / Preventive, Karachi / Exports (Karachi / port Qasim) / Lahore ( Appraisement / Preventive) / Sambrial (Sialkot) / Faisalabad / Multan / Islamabad /Hyderabad/ Quetta / Peshawar/ Gawadar/ Gilgit-Baltistan.

**DETERMINATION OF CUSTOMS VALUES OF BRANDED MILK (LACNOR, ALMARAI, SOYAFRESH MILK ETC.) UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969**

**(VALUATION RULING NO. 1116 / 2016)**

No. Misc/Misc/23/2016-I | 888 Dated: 29-03-2017

In exercise of powers conferred under Section 25-A of Customs Act, 1969 assessable customs values of imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.) of various brands are hereby determined as follows:-

2. **Background of the Valuation Issue:** This Directorate General had earlier conducted an audit of clearance values of subject goods and during the course of perusal of import clearance data, it was observed that imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.) were being assessed at lower values compared to the international selling prices and local market prices. As a stop-gap arrangement and to sensitize the clearance collectorates, this Directorate General earlier issued database values vide VDB letter 118 dated 05-12-2016 of imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.). Thereafter, as per policy in vogue, Valuation Database Reference values are required to be converted into Valuation Ruling for uniform applicability across the country. At the same time a number of importers filed representations to revisit the VDB values in accordance with their declarations. In this context, the Directorate General, valuation initiated an exercise for determination of customs values of imported Branded Milk (Lacnor, Almarai, Soyafresh milk etc.) under section 25A of Customs Act, 1969.

3. **Stakeholders' Participation in Determination of Customs Values:** Meetings for determination of customs values of tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.) were held with stakeholders held on 28-02-2017 & 21-03-2017 which were duly attended by stakeholders. Importers strongly contended and requested that the said Valuation Data Base values may be reviewed downwards. The importers were of the view that actual value of imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.) is lower than the values determined vide VDB letter No. 118 dated 05.12.2016 and that their costs of selling have not been correctly accounted for. Further, to determine veracity of their stance, the stakeholders insisted that a fresh market surveys be conducted from local market for determination of customs values of imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.) and that their extra

DIRECTOR CUSTOMS VALUATION KARACHI

selling costs like allied expenses in shape of logistics and handling (due to perishable nature of goods) may be duly accounted for. Furthermore, due to limited shelf life of the subject goods, near expiry dates these perishable items are sold on sale and discounted prices, hence adding to their cost of selling. It was further contended by the traders that since the subject goods are mainly being sold on super and retail markets, therefore, a lot more expenses (shelf rent, marketing expenses etc.) are contributed at retail level which cannot be managed without taking extra profit margins. The importers contended that all these factors may also be considered in fixing value of subject goods. Prices are also verified on the basis of location of market in the city and date of expiry of the product in question.

4. **Method Adapted to Determine Customs Values:** Valuation methods provided in Section 25 of the Customs Act, 1969 were duly followed and applied sequentially to address the valuation issue at hand. Transaction value method provided in Sub-Section (1) of Section 25 was found inapplicable because the requisite information under the law was not available to arrive at the correct transaction value as the goods were found to be highly under invoiced when compared to international trading prices and also in terms of local selling prices. Furthermore, no invoices found from inside import-containers are reported by clearance Collectorates. Identical / similar goods value method provided in Sub-Sections (5) & (6) of Section 25 ibid were examined for applicability to determine Customs value of subject goods, this data provided some references, however, it was found that the same cannot be solely relied upon due to the absence of absolute demonstrable evidence of qualities, and quantities of commercial level etc., and also it was observed that same importers provide misleading description while declaring goods, as other types and varieties of similar goods to avoid the application of actual trading values. Information available was, hence, found inappropriate. In line with the statutory sequential order of Section 25, this office then conducted a market inquiry using Deductive Value Method under Sub-Section (7) of the Section 25 of the Customs Act, 1969, however, it was found that the determination of Customs value could not be based solely upon this method either. Therefore, valuation method provided vide Section 25 (8) of Customs Act 1969, could not be applied as the conversion cost from constituent materials and allied expenses, at country of export were are not available. Finally, Pral database, market information and international prices through Web were examined thoroughly. All the information so gathered was analyzed for determination of Customs Value of the subject good. Consequently, the Fall Back Method as provided under section 25(9) of the Customs Act, 1969 was applied to utilize all the above so gathered information, to arrive at assessable customs values of various brands of imported tetra pack Milk (Lacnor, Almarai, Soyafresh milk etc.).

5. **Customs Values for Branded Milk (Lacnor, Almarai, Soyafresh milk etc.):** Imported Branded Milk (Lacnor, Almarai, Soyafresh milk etc.) hereinafter specified shall be assessed to duty /taxes @ following Customs Values:-

DIRECTOR CUSTOMS VALUATION KARACHI

| Sr. No. | Description of goods | H.S.Code Code | PCT for WEBOC | Origin | Customs Values (C&F) US$/Liter |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Lacnor Milk (Skimmed/Low Fat/Full Fat/Cream) | 0401.9100<br>0403.1000<br>0401.5000 | 0401.9100.1000<br>0401.1000.1000<br>0401.5000.1000 | All origin | 0.92 |
| 2. | Lacnor Flavored Milk | 2202.9000 | 2202.9000.1100 | All origin | 0.97 |
| 3. | Almarai Milk (Skimmed/Low Fat/ Full Fat/Cream) | 0401.9100<br>0403.1000<br>0401.5000 | 0401.9100.1200<br>0401.1000.1200<br>0401.5000.1200 | All origin | 0.90 |
| 4. | Almarai Flavored Milk | 2202.9000 | 2202.9000.1300 | All origin | 0.95 |
| 5. | Meadow Fresh Milk (Skimmed/Low Fat/ Full Fat/Cream) | 0401.9100<br>0403.1000<br>0401.5000 | 0401.9100.1400<br>0401.1000.1400<br>0401.5000.1400 | All origin | 0.90 |
| 6. | Meadow Fresh Flavored Milk | 2202.9000 | 2202.9000.1500 | All origin | 0.95 |
| 7. | Soyfresh Soya Milk (Various Flavours) | 2202.9000 | 2202.9000.1600 | All origin | 1.00 |
| 8. | Other Brands (Skimmed Milk/Low Fat/ Full Fat/Cream) | 0401.9100<br>0403.1000<br>0401.5000 | 0401.9100.1700<br>0401.1000.1700<br>0401.5000.1700 | All origin | 0.95 |
| 9. | Other Brands Flavored Milk | 2202.9000 | 2202.9000.1800 | All origin | 1.00 |
| 10. | Other Brands Soya Milk (Various Flavours) | 2202.9000 | 2202.9000.1900 | All origin | 1.05 |

6. 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. The Custom values determined in the Valuation Ruling are for the descriptions and specifications as mentioned herein, HS Codes are mentioned for illustrative purposes so that Valuation Ruling values are made accessible to the assessing officers. The assessment shall be finalized in the correct classifications after fulfilling request formalities relating to importability or other certifications required thereon.

DIRECTOR CUSTOMS VALUATION KARACHI

7. **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 (4) of Section 25-A of the Customs Act, 1969.

8. **Revision of the value determined vide this Valuation Ruling: This Valuation Ruling is appealable under the law and** a revision petition may be filed against this Ruling, 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, 7th Floor, Custom House, Karachi.

9. 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.

***10. This Valuation Ruling is issued in supersession of Valuation Database (VDB) Letter No. 118 dated 05-12-2016.***

**( 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 (Appraisement), 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), 1st 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 Database (VDB) Letter No. 118 dated 05-12-2016.
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, 7th Floor, Custom House, Karachi.
17. Review Section, Customs Valuation, 7th Floor, Custom House, Karachi.
18. Karachi Customs Agents Group, Bohri Road, Karachi.
19. CHO, Customs Valuation, Custom House, Karachi.
20. Notice Board, Customs Valuation 7th Floor, Custom House, Karachi / MCC, Appraisement, 1st Floor, Custom House, Karachi.
21. Guard File.