

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. Collector Exports (Port Qasim/Karachi)/ Director Transit (Karachi)

Determination of Customs Values of Ball Bearings and Taper Bearings Under Section 25-A of the Customs Act, 1969

(Valuation Ruling No. 1188/ 2017)

No. Misc/01/2009-VII (Part-III)

Dated: June 23, 2017

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Ball Bearings and Taper Bearings are determined as follows: -

2. **Background of the valuation issue:** Customs values of Bearings were determined under Section 25A of the Customs Act, 1969, vide Valuation Ruling No.1135/2017, dated 18-04-2017. The values determined vide the aforementioned Valuation Ruling, especially Customs Values of Ball Bearings and Taper Bearings, were challenged before the Director General under section 25-D of the Customs Act, 1969 by different importers and Bearing Trade Group. They contended that while issuing Valuation Ruling neither market inquiry was conducted from the wholesale market nor their proposals, submitted during meetings, were considered at the time of issuance of the impugned Valuation Ruling. They claimed that the values in the impugned Valuation Ruling were very high and it was difficult for them to import Ball Bearings and Taper Bearings and compete in market, where there was presence of smuggled goods. They also claimed that through the said enhancement in Customs values legal imports were discouraged. They feared a possible shift from legal imports to smuggling regime. The honourable Director General Customs Valuation, vide Order-in-Revision No. 351/2017 dated 07-06-2017, held that "Categorization, origin, brands of valuation of Ball Bearings and Taper Bearings, as notified vide the impugned Valuation ruling No. 1135/2017 dated 18-04-2017, warrants to be revisited." "Therefore, the case is remanded back to the Director, Customs Valuation, Karachi for re-determination of Customs values, according to law, with due attention to the areas which have not yet been properly focused, to the extent of serial No. 1 to 5 of the impugned Valuation Ruling and notify the same under Section 25A of the Customs Act, 1969. It is also directed that customs values for Ball Bearings and Taper Bearings be re-determined within TWO WEEKS of the issue of this order." Hence, this Directorate General re-initiated exercise for determination of customs values of Ball Bearings and Taper Bearings.

3 **Stakeholders' participation in determination of Customs values:** Different meetings with stakeholders were held on 15-06-2017. Importers had been requested to furnish the following documents before or during the course of meeting:

- A. Invoices of imports during last three months showing factual value.
- B. Websites, names and E-mail addresses of known foreign manufacturers of the item in question through which the actual current value can be ascertained.
- C. Copies of Contracts made / LCs opened during the last three months showing the value of item in question.
- D. 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. During the course of the meeting, the importers again contended that values determined vide the Valuation Ruling No. 1135/2017, dated 18-04-2017 were high and



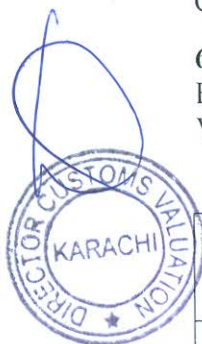
needed downward revision. They further stated that the values of Ball Bearings and Taper Bearings in the existing, albeit remanded back, Valuation Ruling were much higher than the prevailing LME prices of raw material in the international market. They stated that major business was for automotive & general application Ball Bearings and Taper Bearings. These were mostly used for cars, trucks, motorcycle, three wheelers, tractors, trolleys. They claimed that prices of such bearing ranged from US\$ 4/Kg to US\$ 6/Kg for Japan origin bearings. They claimed that owing to increased valuation the shift towards illegal channels might take place. They also interpreted the Order in Revision, especially para 2(d) to suit their claims, stating that the Director General had rejected minor reduction in values vide impugned Valuation Ruling being irrational as department could not justify fixing of high values before the Appellate Authority; They were told that the interpretation of the department was that the same. However, all stakeholders agreed with the observation of the Director General that barring China, there should be no categorization, and the new Valuation Ruling should be origin based. As another contentious issued was that only one brand of China origin, viz ZWZ, was in category-A, the stakeholders provided their list of other brands to be included in category-A of the China origin, which of course required verification at the part of the Department. Resultantly the Directorate General initiated its own investigation including market surveys for determination of customs values. As entire scheme of Valuation Ruling has been revisited in light of orders of the Director General, Category-A of China origin has been expanded with inclusion of other brands which were hitherto assessed under Category-B, resultantly changes in assessable values of other categories. The second impacting factor is creating separate serial numbers for Taper bearings. Whatever could be done in two weeks was done to streamline the sector and reduce long standing litigation. The values have been determined after due process.

5. Method adopted to determine Customs values: Valuation methods given in Section 25 of the Customs Act, 1969 were followed to arrive at customs values of Ball Bearings and Taper Bearings. Transaction value method provided in Section 25 (1) was found inapplicable owing to wide variation in the values being declared to the customs. Identical / similar goods value methods provided in Section 25 (5) & (6) were examined for applicability to the valuation issue in the instant case which provided some reference values of the subject goods but the same could not be exclusively relied on due to wide variation in declared values of subject goods. Stakeholder's meetings were also scheduled but during the meetings very divergent point of regarding international market prices was presented. Thereafter, market enquiry as envisaged under section 25(7) of the Customs Act, 1969, was conducted which gave most of the Ball Bearings and Taper Bearings bought and sold in the local market, therefore, different markets were surveyed repeatedly. The computed value method as provided in Section 25(8) of the Customs Act, 1969, could not be applied as the conversion costs from constituent material at the country of export were not available. Online values of subject goods were also obtained. All the information so gathered was evaluated and analyzed for the purpose of determination of customs values. Consequently, the Customs values of Ball Bearings and Taper Bearings have been determined under Section 25(9) of the Customs Act, 1969.

6. Customs values of Ball Bearings and Taper Bearings: Ball Bearings and Taper Bearings *hereinafter* specified *shall* be assessed to duty/taxes at the following Customs Values: -

Table-A

S. No.	Description	PCT	Proposed PCT for WeBOC	Origin	Customs value US\$/Kg	
					Cat-A	Cat-B
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Ball Bearing	8482.1000	8482.1000.1000	China	3.40	2.90
2	Taper Bearing	8482.2000	8482.2000.1000		3.57	3.05



Category-A: ZWZ, C&U, HCH, KML, UBC, VISTA, G&B, CRLF, FUTURE, KG, HRB, LYC and TR.

Category-B: NIS, NBN, NSB, WYP, MINE, ZX, YUUA, WHY, VRBB, FKD, JPN, 3J, AA, ATA, ABA, BW, BG-GOLD, BEARMAX, BENSON, BLACKFOX, BSL, OSAKA, CRF, DX, FAST-M, F&D, FKC, FKG, FK, HKM, HI-TECH, JED, DFD, JYD, JETIX, KYB, KAKA, KYK, KFK, KBK, KBE, KBCC, MTB, MTM, MBM, NHN, NGA, PSA, PHP, POWER-MOTO, RSDAK, RDS, RICA, ROMA, SUPER, SMS, SI, SILL, SBA, SBN, TFS, TPS, VDR, VHX, VRBB, EUROPOWER, HI-TECH, VETOR, SUPERGOLD, SUPERNIN, NINGOLD, LDFD, DPI, WHX and other similar brands.

Table-B

S. No.	Description	PCT	Proposed PCT for WeBOC	Origin	Customs value US\$/Kg
(1)	(2)	(3)	(4)	(5)	(6)
1	Ball Bearing	8482.1000	8482.1000.2000	Japan	9.40
2			8482.1000.3000	India	3.04
3			8482.1000.4000	Western Europe	10.00
4			8482.1000.5000	Eastern Europe	5.50
5			8482.1000.6000	Other Origins	6.00
6	Taper Bearing	8482.2000	8482.2000.2000	Japan	10.00
7			8482.2000.3000	India	3.10
8			8482.2000.4000	Western Europe	10.50
9			8482.2000.5000	Eastern Europe	6.00
10			8482.2000.6000	Other Origins	6.50

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 element of air freight while assessing the goods.

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, 7th Floor, Custom House, Karachi.

10. The Collectors of Customs may kindly ensure that the values given in this Valuation 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 this Directorate General immediately. Customs values determined in the ruling are for the description and specification as mentioned in this Valuation Ruling. HS Codes are mentioned for illustrative purposes so that valuation ruling values are made accessible to the assessing officers. The assessment shall be finalized on the basis of correct classification after fulfilling requisite formalities related to importability or any other certification required thereon. In addition to this, it is further necessary to verify that there is no mis-declaration of any sort or violation of Import Policy Order or Section 15 of the Customs Act, 1969 or any other law in vogue therein.



10. *This ruling supersedes Serial No. 1 to 5 of Valuation Ruling No.1135/2017 dated 18-04-2017. Rest of the serial numbers of Valuation Ruling No. 1135/2017 dated 18-04-2017 remain in field.*

(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 WeBOC database system and deleting Serial No. 1 to 5 Valuation Ruling No.1135/2017 dated 18-04-2017.
14. Chairman (Valuation Committee), FPCC&I, Federation House, Clifton, Karachi.
15. Chambers of Commerce & Industry, Karachi, Lahore, Islamabad, Hyderabad, Quetta, Gujranwala, Faisalabad, Sialkot, Rawalpindi & 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 (East/West), Custom House, Karachi.
21. Guard File.