



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 HRC/CRC AND GP (SECONDARY QUALITY) UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969

(VALUATION RULING NO. 1213/2017)

No.Misc/32/2007-VI

Dated 27-09-2017

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of HRC, CRC and GP (secondary quality) are determined as follows:

2. Background of the valuation issue: Customs values of HRC/CRC/GP (Secondary quality) were determined vide Valuation Ruling No.717/2015 dated 11.02.2015. Since these values were determined more than a year ago, and the values of subject goods were aligned with LMB prices of prime quality HRC/CRC/GP with admissible discount on basis of secondary quality. However, some importers approached this Directorate General as well as the Honourable High Court for redetermination of customs value of HRC/CRC/GP (Secondary quality) on basis of increase in discount from prime to secondary quality, reduction of freight element as provided in aforementioned Valuation Ruling and uniformity of valuation of non-listed countries from LMB. M/s Stamco Steel Corporation filed Suit No. 143/2017 before the Honourable High Court whereby the Honourable High Court disposed of suit with direction to this Directorate that Plaintiff's application under Section 25A which is pending before the Director, Valuation Customs shall be decided within 45 day and till such time the application is decided , Keeping in view the exhaustive exercise for re-determination of customs values, this Directorate submitted extension application before the Honourable High Court which was duly allowed by the Court for further 40 working days . Therefore an exercise was initiated for redetermination of Customs values of secondary quality HRC, CRC and GP according to trends prevailing in the international prices, in terms of Section 25-A of the Customs Act, 1969.

3. Stakeholders' participation in determination of Customs values: Meetings with stakeholders were held on 07.06.2017 and 28.08.2017, The same were attended by manufacturers M/s International Steel Limited , M/s Siddiquesons Tin Plate Limited , importers/ representatives from M/s Stamco Steel Corporation , M/s MAC Steel Corporation , Pakistan Steel Imports Corporation , Karachi Iron and Steel Merchant Association, Crystal Enterprises , Awan Law Associates from M/s Arshad Ali and officers / officials from clearance Collectorate. The importers were requested to submit the following documents so that correct customs values could be determined:-

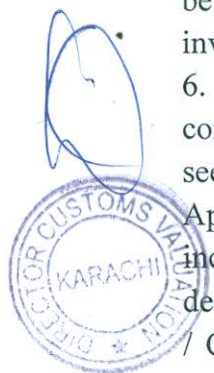


- i) Invoices of imports during last three months showing factual value.
- ii) Websites, names and E-mail addresses of known foreign manufacturers of the item in
- iii) question through which the actual current value can be ascertained.
- iv) Copies of Contracts made / LCs opened during the last three months showing the value of item in question.
- v) 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 meetings, the importers contended that discount of 15% given in valuation ruling No. 717/2015 did not reflect actual transactional values and need to be revised as per prevailing difference from prices of prime quality goods quoted in LMB, which ranges between 30-40 % and is verifiable from the transactions being made through Electronic Import Forms(EIFs). They also contested that freight of US\$ 40/MT may also be decreased to 15-25 MT as per prevailing freight charges. The importers and particularly MCAS&W Law Associates, representatives of M/s Stamco Steel Corporation submitted that the criteria/ formula of assessment against the above goods, imported from non-listed origins of LMB i.e by taking prices of different products of four different listed origins and the value addition thereon is also arbitrary and unjustifiable. The customs values of such goods imported from non listed origins of LMB shall be assessed as per mandate of Section 25(1) of the Customs Act, 1969 i.e on basis of direct evidence of transaction value verifiable through EIF transactions. They further explained that they imported GP Coils of Secondary quality from South Africa and these were assessed at high values based on LMB prices of America and the same should be assessed at the value of China due to low quality. Pakistan Iron and Steel Merchants Association (PISMA) and Karachi Iron and Steel Merchants Association (KISMA) also submitted proposal that discount may be allowed to 38% for GP and 35% for HRC and CRC secondary quality from price of prime quality flat rolled steel products as quoted in LMB

5. Manufacturer Siddiqsons Tin Plate Limited argued that difference between prime and secondary quality has been correctly notified and may be maintained accordingly. The importers' contention regarding increasing discount mainly deviates from increasing price trend of prime quality HRC/CRC /GP coils as published in LMB. M/s International Steel Limited submitted import documents/ sales tax invoices and explained that trade difference between prime and secondary quality flat products is no more than 4% in any case and explained that discount may be decreased from 15 to minimum 7% for secondary quality steel. They also submitted sales tax invoices, export documents and quotations from international suppliers of steel in their favour.

6. Input was also solicited from MCC Appraisement East/West/ Port Qasim for comments. They commented that discount as already given in Valuation Ruling No. 717/2015 seems rationalized and shall be continued. During the course of discussion, Input from Appraisement Collectorates were also obtained who were of opinion that as such due to increasing trend of values of steel allied products there is no change be made in the formula decided earlier. However, they also opined that since there is repetitive mis use of letter of credit / Contract prices, it would be prudent to categorically take date of import for LMB price for



uniform assessment to safeguard revenue and it would be more transparent to assess the values of steel products with less discretion of assessing officers. The Collectorate Appraisement West also explained the formula for the steel products imported from countries which do not fall under economic zones/ Regions of LME (non listed countries) is being made by taking average LMB price of four zones as per formula in vogue which is implemented and accepted by trade since 2007 . It is important to note when earlier valuation ruling No. 717/2015 dated: 11.02.2015 was issued, the importers agreed to the methodology and discount of 15% and did not file any revision under Section 25D . Now since the value of steel products have increased manifold and some regulatory duties are imposed on certain steel products . They have approached to seek extra ordinary downward revision of values / discount which is contrary to the current surge in the values of steel products

7. **Method adopted 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 sufficient information with respect to adjustments to be made to the transactional value in terms of Section 25(2) was not available and hence the requisite information required under the law was not available to arrive at the correct transaction value. Identical / similar goods value method provided in Sub-Sections (5) & (6) of Section 25 ibid were examined and considered 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 prices were misleading as the assessment was based on contracts/ letter of credits and their amendments and importers were pressing that date of contracts and their following amendments taken as benchmark for their calculation on Metal Bulletin prices of flat rolled steel products . 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 Section 25 of the Customs Act, 1969, however, it was found that market values also varied and could not be made the sole basis for determination of customs values. 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, LME Prices were examined thoroughly. Keeping all the factors in view and after carefully analyzing all the available information from different sources, it was known that fixation of value would be detrimental as being steel prices changing internationally as manifested in LMB and hedging of prices with LMB is acceptable to all stakeholders therefore, Customs values of the subject items were determined under Section 25(9) of the Customs Act, 1969.

8. **Customs values for HRC, CRC and GP of secondary quality:** HRC, CRC & GP *hereinafter specified* shall be assessed to duty / taxes at the following Customs Values : -



S. No.	Description of goods	PCT	Proposed PCT for WEBOC	Origin	Customs Values (C&F) US\$/Kg
(1)	(2)	(3)	(4)	(5)	(6)
01	Iron & Steel HRC Secondary quality	7208.1010 7208.2510 7208.2610 7208.2710 7208.3610 7208.3710 7208.3810 7208.3910 7208.4010 7208.5110 7208.5210 7208.5310 7208.5410 7208.9010	7208.1010.1000 7208.2510.1000 7208.2610.1000 7208.2710.1000 7208.3610.1000 7208.3710.1000 7208.3810.1000 7208.3910.1000 7208.4010.1000 7208.5110.1000 7208.5210.1000 7208.5310.1000 7208.5410.1000 7208.9010.1000	All origins	LMB prices of prime quality. Less 15% for listed countries in LMB and Less 16% for non-listed countries in LMB (on account of secondary quality difference) and add US\$ 40/MT (on account of freight charges)
02.	Iron & Steel CRC Secondary quality	7209.1510 7209.1610 7209.1710 7209.1810 7209.2510 7209.2610 7209.2710 7209.2810 7209.9010	7209.1510.1000 7209.1610.1000 7209.1710.1000 7209.1810.1000 7209.2510.1000 7209.2610.1000 7209.2710.1000 7209.2810.1000 7209.9010.1000	All origins	
03.	Iron & Steel GP Coil (Secondary Quality)	7210.1910	7210.1910.1000	All origins	

9. 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.



10. **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.

11. **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.

12. 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 and LME hedged values are correctly applied/ adjusted within the prevailing parameters. Any anomaly observed may kindly be brought to the notice of Directorate General immediately. Customs values determined in the ruling are for the description and specification as mentioned herein. PCT Codes are mentioned for illustrative purpose so that valuation ruling values are made accessible to the assessing officer. 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.

13. ***This Ruling supersedes Valuation Ruling No.717/2015 dated February 11,2015.***


(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), 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