

(This ruling supersedes Valuation Ruling No. 434/2012 dated 13-02-2012)

**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 SYNTHETIC CARPET UNDER SECTION
25-A OF THE CUSTOMS ACT, 1969**

(VALUATION RULING No. 926/2016)

No. Misc/25/2002-VI

Dated: 08-09-2016

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969 Customs values of Carpet of different origins are determined as follows:-

2. Background of the valuation issue: Since the previous Customs values Synthetic Carpet determined and notified vide Valuation Ruling No. 434/2012 dated 20-02-2012 vide amended dated 12-03-2012 were over four years old, therefore, an exercise was undertaken by this Directorate General to revise the same according to price trends prevailing in the current international market.

3. Stakeholders' participation in determination of Customs values: Meetings for the determination of customs values of Synthetic Carpet with stakeholders were conducted on 05.08.2016. 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 or Contracts made / LCs opened during the last three months showing the value of item in question.
- iv) Copies or 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 any stakeholders, however, they appeared for meeting scheduled on 05-08-2016. During the course of meeting the importers' as well as manufacturer stated that the prices of raw material i.e. Synthetic Yarn, Synthetic SBR Latex, Polypropylene secondary and primary backing which are the major raw material of this item are on lower side. Furthermore, the Carpet Importers Association and four leading manufacturers have also submitted their working sheets as per their raw materials. They further contended, that the subject goods are bi-product of oil and when the existing values were determined in 2012, the prices of oil were U.S.\$ 122/Barrel and now the prices are less than U.S.\$ 50/ Barrel. Since, the subject goods are directly bi-product of oil, therefore, the price of synthetic carpets should be rationalized accordingly.

5. 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 it is generally known to all that majority of invoices produced at import stage are manipulated / fabricated 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 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 importers usually provided misleading description while declaring goods, as other types and varieties of similar goods to avoid the application of valuation ruling. 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 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 arrive assessable customs values of Synthetic Carpet.

6. Customs values for Synthetic Carpet: Synthetic Carpet hereinafter specified shall be assessed to at the following Customs Values:-

S. No.	Description of goods	P.C.T.	Proposed PCT for WBOC	Origins	Customs Values (C&F) US\$/Kg
I	II	III	IV	V	VI
1	Nylon Tufted Carpet	5703.2090	5703.2090.1000	China, Saudi Arabia, Turkey, U.A.E. & Iran	i) US\$ 2.30/ SQM for Carpet having weight of 1000 GSM per Square meter. ii) If not covered under (i) above, value shall be assessed according to the following formula: $\frac{\text{Total Net Weight}}{\text{Total Square Meter}} \times 2.30 = A.V \text{ in US\$ / SQM}$
2	Polypropylene / polyester Tufted Carpet	5703.3090	5703.3090.1000	China, Saudi Arabia, Turkey, U.A.E. & Iran	i) US\$ 1.80/ SQM for Carpet having weight of 1000 GSM per Square Meter. ii) If not covered under (i) above, value shall be assessed according to the following formula: $\frac{\text{Total Net Weight}}{\text{Total Square Meter}} \times 1.80 = A.V \text{ in US\$ / SQM}$
3	Polypropylene / polyester Woven Carpet	5702.4290	5702.4290.1000		
4	Polypropylene / polyester Needle Carpet	5704.9000	5704.9000.1000		

Note: Following further parameters shall be taken in consideration wherever required:

- 25% enhancement on above values for USA, Europe & Japan origin.
- Handmade carpets are not covered vide subject Valuation Ruling.
- 7% enhancement on above values for entire piece Carpets of all origins.
- Certificate of origin from manufacturer is required if imported from UAE.
- Nearest origin may be considered for assessment purpose if value or any country is not covered under this ruling.
- If description mentioned in the H.S. Code does not match with the description mentioned in this Valuation Ruling, description of the goods shall be confirmed for implementation purpose.

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. The Customs 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.

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 Directorate General immediately. In additions to this, it is further necessary to verify that there is no mis-declaration of any sort of violation of Import Policy Order or Section 15 of the Customs Act, 1969 or any other law in vogue therein.

11. This ruling supersedes Valuation Ruling No. 434/2012, dated 13-02-2012 vide amended dated 12-03-2012.

(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 (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 Ruling No. 434/2012, dated 20-02-2012 vide amended dated 12-03-2012, from the system on the date of issue of the ruling.
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.