

*(This Ruling has been revised / superseded vide Valuation Ruling No. 1161/2017 dated 12th May, 2017)*

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**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 / Lahore (Appraisement / Preventive) / Sambrial (Sialkot) / Faisalabad / Multan / Islamabad / Hyderabad / Quetta / Peshawar / Gawadar / Gilgit-Baltistan.

**DETERMINATION OF CUSTOMS VALUES OF POLYESTER SPUN YARN, VISCOSE SPUN YARN AND THEIR BLENDS UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969**

**(VALUATION RULING No. 983/2016)**

No. DG/VDB/REF/48/VAL/2016

Dated: 28<sup>th</sup> November, 2016

In exercise of powers conferred under Section 25-A of Customs Act, 1969 the Customs values of various counts of Polyester Spun Yarn, Viscose Spun Yarn and their different blended yarn of China, Thailand, Indonesia, India and other origins (manufactured from polyester staple fiber and viscose staple fiber respectively), are determined as follows:-

**2. Background of the Valuation Issue:** Chairman All Pakistan Textile Mills Association (APTMA) on 13<sup>th</sup> June and 11<sup>th</sup> July 2016 wrote to Director General Customs Valuation, stating that subject yarn items are being rampantly under-invoiced and consequently, financially damaging local manufacturers directly. In this context, APTMA requested the Directorate General of Customs Valuation Karachi to determine customs values of subject items as per prevailing international prices. All -Pakistan Textile Mills Association (APTMA) vide letter No. PO/chair-38/2016/0462 dated 25<sup>th</sup> of July 2016 also lodged a complaint regarding the aspect of under-invoicing in import of Polyester and Viscose Spun yarn (HS-Code 5509.5100) before Chairman Federal Board of Revenue, Islamabad. This prompted the initiation of a detailed exercise for determination of value of said items under section 25A of the Customs Act, 1969.

**3. Stakeholders' Participation in Determination of Customs Values:** The Director Valuation took up this matter and wrote to the President KCCI, A PTMA and PYMA on 11<sup>th</sup> August 2016; inviting stake holders to provide input on valuation of subject goods. After analyzing available information/ data, the Director, Directorate General on 25<sup>th</sup> August 2016 held first meeting in this context. Initial deliberations took place and it was decided that both APTMA and PYMA shall submit agreed formulas / proposals to derive at subject values, the same were to be securitized by this Directorate. Thereafter, every single aspect of the polyester / viscose chain were thrashed out starting from raw-material prices up to the subject end products. Representatives of Pakistan Yarn Merchant Association (PYMA) and representatives of All Pakistan Textile Mills Association (APTMA) and their technical teams duly assisted the Directorate General and put forth in detail, their respective points of view regarding the conversion costs and the import value of subject items.

4. It is pertinent to mention here that both PYMA and the APTMA are reputable trade associations and it is a fact that both have conflicting interests with regards to import value of subject items, therefore, it was decided that content ions of each of the associations shall be accorded due weightage. All aspects were thrashed out and their conflicting views were heard (concerning the Polyester and Viscose chain items, starting from raw material and going up to the finished form of subject goods), by the Directorate General. It is also pertinent to mention here that there had no Valuation Ruling in field for polyester and viscose spun yarn, therefore, care was exercised to derive at assessable values of various counts and blends of subject goods. After many stages of deliberations, four contentious issues were identified for further elaborations. These issues are as follows:-

- Determination of raw material values (i.e. Polyester staple fiber and viscose staple fiber),

- The conversion cost to convert staple fiber (of polyester and viscose) into spun yarns, of different counts that are being imported,
- The conversion cost to convert staple fiber (of polyester and viscose) into blended yarns, of different counts that are being imported,
- The conversion cost of converting staple fiber (of polyester and viscose) into double or multiple yarns of different counts that are being imported.

5. Follow-up meetings were formally held on 06.09.2016, 15.09.2016 and 23.09.2016 respectively, and correspondence No. DGIVDB/REF48/VAL/2016 dated 25.08.2016 was issued to clinch the issues one by one. Despite the fact that both parties had strong views regarding their own contentions in terms of import values of subject goods, however, finally vide separate letters from PYMA and from APTMA (Jointly signed by both parties), both (APTMA and PYMA) mutually agreed on a manner / formulae for determining prices of different types of the Spun yarn counts, their various blends and of double or multiple yarn, under Chapter 55 keeping in view the Ring Spinning machines, Rotor Spinning Machines and Vortex/Jet Spinning machines (MJS or MVS) and their conversion rates / costs. The representatives of APTMA and PYMA submitted as follows:-

**a. That for raw material:**

-the three months import data from WeBOC shall be taken and data of identical goods shall be taken from CCFEI (China Chemical & Fiber Economic Information Network-CCFEI Website (CCFEI data being unbiased and neutral cannot be influenced by any of the stakeholders) and to take weighted averages of three months (i.e. total of value divided by total of quantity, without any out-layers). Data from WeBOC and CCFEI website is used to derive at the international raw material trading-prices of polyester staple fiber and viscose staple fiber separately therefore provided the basic raw material prices. In this manner the value calculated for Polyester staple fiber is US \$ 0.95/Kg (months of August, September and October 2016). Value calculated for Viscose staple fiber is US \$ 1.89/Kg (months of August, September and October 2016).

**b. That for determination of the conversion costs (from polyester / viscose staple fibers to subject items) for each count of polyester and viscose yarn and their blends:**

-this was most challenging. After thread barely examining each aspect of manufacturing, the agreed upon conversion-costs (for each count of polyester, viscose and blended yarns) were separately provided by the PYMA and APTMA (duly signed), keeping in view the Ring Spinning machines, Rotor Spinning Machines and Vortex/Jet Spinning machines (MJS or MVS). These conversion costs were scrutinized and adopted to derive at the determined values of subject items. Conversion cost from raw material (i.e. 100% polyester and 100% viscose staple fiber) to a single count-yarn/Kg is = US \$ 0.0175/count/Kg provided below vide Table-A.

**c. The conversion cost to convert staple fiber (of polyester and viscose) into blended yarn:**

-the agreed upon conversion-costs (for each count of polyester, viscose and blended yarns of Ring Spinning machines, Rotor Spinning Machines and Vortex/Jet Spinning machines (MJS or MVS) were separately provided by the industry experts i.e. PYMA and APTMA (duly signed). These conversion costs were scrutinized and adopted to derive at the determined values of subject items. Conversion cost from raw material (i.e. Polyester and viscose staple fiber) to a single-count-blended-yarn/Kg is = US \$ 0.02/count/Kg provided in Table-B.

**d. The conversion cost of converting staple fiber (of polyester and viscose) into double or multiple yarn of different counts that are being imported:**

-agreed upon conversion-costs (for double and multiple yarn of each count of polyester, viscose and blended yarn of Ring Spinning machines, Rotor Spinning Machines and Vortex/Jet Spinning machines (MJS or MVS) were separately provided by the industry experts i.e. PYMA and APTMA (duly signed). These conversion costs were scrutinized and adopted to derive at the determined values of subject items. The additional conversion cost of converting any of the subject yarns into doubled/folded/multiple yarns of 20 count, 30, 40 and 50 counts are separately specified vide Table C below.

6. Moreover fixed CONVERSION COST TABLES (i.e. cost of energy, cost of labor, machinery-depreciation cost and machine-maintenance cost) were provided to Directorate General are as follows:-

<b>Table A</b> For 100% Polyester or 100% Viscose Yarn. (USD .0175/Count/Kg)			
Count		Conversion Coast	
10		\$0.175	/KG
20		\$0.350	/KG
26		\$0.455	/KG
30		\$0.525	/KG
36		\$0.630	/KG
40		\$0.700	/KG
50		\$0.875	/KG
60		\$0.050	/KG

<b>Table B</b> For Blends of Polyester-Viscose & Polyester-Acrylic in any Ratio. (USD .02Count/Kg)			
Count		Conversion Coast	
10		\$0.200	/KG
20		\$0.400	/KG
26		\$0.520	/KG
30		\$0.600	/KG
36		\$0.720	/KG
40		\$0.800	/KG
50		\$0.000	/KG
60		\$0.200	/KG

<b>Table C</b> Doubling Expense/Cost			
Count		Doubling Coast	
20		\$0.255	/KG
30		\$0.30	/KG
40		\$0.40	/KG
		\$0.50	/KG

7. Both associations were also advised as per law to submit the following documents, and the provided documents were subjected to further scrutiny:

- 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.

**Formulae for converting 100% Polyester Staple Fiber into 100% Polyester Yarn**

**AND**

**For 100% Viscose Staple Fiber into 100% viscose yarn**

**Formula A**

3 months WeBOC								
Data for unit	Weithted	AVG of the	Raw Material	+ Yarn Conversion Cost @ 0.0175/each Count/Kg	+ Yarn	Count	Single	Yarn
Price of each								
Month			Cost in US\$/Kg	[Table A]	[Table A]		Value	
3 Month CCFE		03 months						

Date for Unit Price of each Month	values
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**Formulae for converting Polyester Staple Fiber and Viscose Staple  
Fiber into Polyester - Viscose Blended Yarns**

**Formula B**

3 month WeBOC Data for unit price of each Month	AVH of the 03 Months Values	Polyester Staple X in \$US/Kg	%age Value of the PSF in Fiber Value	the Blended Yarn	Proportionate Add Both = Cost of PSF & Values VSF Blended Yarn	Yarn Cost@ 0.02/each yarn count/Kg x count [From Table B]	Polyester Viscose = [Polyviscose] [Table B] Blended Yarn Value
3 month WeBOC Data for unit price of each Month	AVG of the 03 Months Values	Viscose Staple X in \$US/Kg	%age Value of the PSF in Fiber value	the Blended Yarn	[+]		

**Formulae for converting 100% Polyester Yarn into Double / Folded / Multiple Yarn**

**AND**

**100% Viscose Yarn into Double / Folded / Multiple Yarn**

**Formula C**

Single Yarn Value (From Formula A Above)	+	Double / Multiple / Folding	Corresponding Cost from Table C	=	Value for Double Yarn/ Multiple Yarn or Folded Yarn
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**8. Method adopted to determine Customs values:** After detailed discussion valuation method stipulated vide Section 25 of the Custom Act, 1969 were applied to arrive at fair value of subject spun yarn types and categories. Transaction value method provided in section 25(1) was found inapplicable because requisite information was not available as per law. Identical / similar goods value methods provided in Sec 25(5) and (6) were sequentially examined for applicability to valuation issue in instant case, the same provided some important reference values but they could not be exclusively and solely relied upon. Thereafter, market inquiry as envisaged under Section 25(7) of the Customs Act, 1969, was conducted. The prices of different types, counts etc. of Spun Yarn in open market varied significantly and were heavily depended on quality of the Yarn and location of the selling point or shops throughout the country. Hence, this tool for determining value could not be solely relied upon. Furthermore, online value was also checked. The computed value method as provided in Section 25(8) of the custom Act, 1969 could not be applied solely either as conversion cost from constituent material at country of export were provided by industry experts and not by the manufacturing factories in China themselves. All information gathered above was utilized, evaluated and analyzed for purpose of determination of customs values. Consequently, customs values of spun yarn of polyester, viscose and their blends of different specification have been determined under section 25(9) of the customs act 1969.

**9. Customs values for Spun Yarns:** subject spun yarn of different specifications as specified herein below, the same shall be assessed for duty and taxes on the customs values specified herein are for China, Thailand, Indonesia, India and Vietnam origin and other Origins shall be assessed with a 5% (five percent) increase from the prices given in the said table:-

<b>Description</b>	<b>100% Polyester Spun Yam (Raw White on Cones or Hanks), for 02, 03 and 04 ply</b>						
<b>Count</b>	20 or 21 (2,3,4 PLY)	24 (2,3,4 PLY)	30 (2,3,4 PLY)	34 (2,3,4 PLY)	40 (2,3 PLY)	50 or 52 (2,3,4 PLY)	54 (2,3,4 PLY)
<b>Value</b>	\$ 1.55	\$ 1.62	\$ 1.78	\$ 1.89	\$ 2.05	\$ 2.33	\$ 2.44
<b>PCT</b>	5509.2200						
<b>We-Boc PCT</b>	5509.2200.10 00	5509.2200.11 00	5509.2200.12 00	5509.2200.13 00	5509.2200.14 00	5509.2200.15 00	5509.2200.16 00

<b>Description</b>	<b>80% Polyester 20% Viscose Blended Yarn Ring, Rotor or MVS Yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.54	\$ 1.74	\$ 1.94	\$ 2.14	\$ 2.34	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.1000	5509.5100.1100	5509.5100.1200	5509.5100.1300	5509.5100.1400	
<b>Description</b>	<b>70% Polyester 30% Viscose Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.63	\$ 1.83	\$ 1.03	\$ 2.23	\$ 2.43	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5150.1000	5509.5100.1600	5509.5100.1700	5509.5100.1800	5509.5100.1900	
<b>Description</b>	<b>65% Polyester 35% Viscose Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.68	\$ 1.88	\$ 2.08	\$ 2.28	\$ 2.48	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.2000	5509.5100.2100	5509.5100.2200	5509.5100.2300	5509.5100.2400	
<b>Description</b>	<b>50% Polyester 50% Viscose Blended Yarn Ring, Rotor or MVS Yarn (Viscose-polyester (VP) &amp; Polyester-viscose (PV))</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.82	\$ 2.02	\$ 2.22	\$ 2.42	\$ 2.62	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.2500	5509.5100.2600	5509.5100.2700	5509.5100.2800	5509.5100.2900	
<b>Description</b>	<b>30% Polyester 70% Viscose Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 2.01	\$ 2.21	\$ 2.41	\$ 2.61	\$ 2.81	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.3000	5509.5100.3100	5509.5100.3200	5509.5100.3300	5509.5100.3400	
<b>Description</b>	<b>80% Polyester 20% Polyester Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 2.10	\$ 2.30	\$ 2.50	\$ 2.70	\$ 2.90	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.3000	5509.5100.3100	5509.5100.3200	5509.5100.3300	5509.5100.3400	
<b>Description</b>	<b>70% Polyester 30% Polyester Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 2.01	\$ 2.21	\$ 2.41	\$ 2.61	\$ 2.81	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.3000	5509.5100.3100	5509.5100.3200	5509.5100.3300	5509.5100.3400	
<b>Description</b>	<b>65% Polyester 35% Polyester Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.96	\$ 2.16	\$ 2.36	\$ 2.56	\$ 2.76	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.3000	5509.5100.3100	5509.5100.3200	5509.5100.3300	5509.5100.3400	
<b>Description</b>	<b>30% Polyester 70% Polyester Blended Yarn Ring, Rotor or MVS yarn</b>					
<b>Count</b>	20	30	40	50	60	
<b>Value</b>	\$ 1.63	\$ 1.83	\$ 2.03	\$ 2.23	\$ 2.43	
<b>PCT</b>	5509.5100					
<b>We-Boc PCT</b>	5509.5100.3000	5509.5100.3100	5509.5100.3200	5509.5100.3300	5509.5100.3400	

<b>Description</b>	<b>100% Viscose Spun Yarn Ring Spun, Rotor or Vortex Spun</b>					
<b>Count</b>	20	30	40	50	52	60

<b>Value</b>	\$ 2.24	\$ 2.42	\$ 2.52	\$ 2.59	\$ 2.80	\$ 2.81
<b>PCT</b>	5510.1100					
<b>We-Boc</b>	5509.5100.100	5509.5100.110	5509.5100.120	5509.5100.130	5509.5100.140	5509.5100.1500
<b>PCT</b>	0	0	0	0	0	

<b>Description</b>	<b>100% Viscose Spun Yarn Ring Spun, Rotor or Vortex Spun (02 ply)</b>			
<b>Count</b>	20/2	30/2	40/2	60/2
<b>Value</b>	\$ 2.49	\$ 2.71	\$ 2.99	\$ 3.54
<b>PCT</b>	5510.1200			
<b>We-Boc PCT</b>	5510.1200.1000	5510.1200.1100	5510.1200.1200	5510.1200.1300

10. 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. Clearance Collectorates are requested to be vigilant during assessment and examination, with special emphasis on count, description and specification of yarn imported.

**11. 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 Section 25-A of the Customs Act, 1969. In case the imported spun yarn does not fall under any

**12. 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.

13. 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. 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 and 16 of the Custom, Act, 1969 or any other law in vogue therein.

**(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. 817/2016, dated 02-03-2016 from the system on the date of issue of this 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, 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, Appraisement, 1<sup>st</sup> Custom House, Karachi.
22. Guard File.