

**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 Muhammad Bin Qasim / Export (Karachi / Port Qasim) / JIAP, Karachi / Preventive, Karachi / Lahore (Appraisement / Preventive / AIIA) / Sambrial (Sialkot) / Faisalabad / Multan / Islamabad / Hyderabad / Quetta (Appraisement / Preventive) / Peshawar (Appraisement / Preventive) / Gawadar / Gilgit-Baltistan.

**DETERMINATION OF CUSTOMS VALUES OF FREQUENCY INVERTERS UNDER PCT**  
**HEADING (8504.4090) UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969.**

**(VALUATION RULING No. 1429/2019)**

No. Misc/09/2015-VII/2641

Dated: 26<sup>nd</sup> November, 2019

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, the Customs values of Frequency Inverters PCT (8504.4090) are determined as follows:-

**2. Background of the valuation issue:** Customs values of Frequency Inverters were earlier determined through Valuation Ruling No. 973/2016 dated 22-11-2016. A number of representations were received in this Directorate General that the frequency inverters were being declared with various technical and fabricated names so as to avoid application of the Valuation Ruling. Moreover, the Valuation Rulings, being three years old and the values of subject goods in international market have shown varying trend, required re-determination. Keeping in view the above facts, an exercise was initiated to re-determine the customs values of the subject goods under section 25A of the Customs Act 1969.

**3. Stakeholders' participation in determination of values:** Meetings with stakeholders were convened on **31-10-2019**, **12-11-2019** and **19-11-2019** which was attended by different stakeholders and importers. The participants were requested to submit following documents before or during the course of meeting so that customs values could be determined:-

- i. Invoices of imports during last three months showing customs 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 the last four months showing the difference in price (excluding duty and taxes) to substantiate their contentions.

4. The representatives of M/s M.D. Enterprises, M/s. Dominar Engineering, M/s. ABB Power and Automation Private Limited, M/s. Ameerjee Vallejee & Sons explained that Variable Frequency Drive (VFD) / Frequency Converter is a device which is used to control the speed of an electrical machine by varying the frequency and voltage apply to the machine in a certain proportion. Both the frequency and voltage are changed to regulate torque, speed and other parameters of machine. VFD is specifically used for control of a rotating machine such as induction motor, synchronous motor, BLDC motor, etc. and is also called adjustable speed drives, adjustable frequency drive, AC Drive, Micro Drive and a controlled inverter. This was also contended by said participants that the subject goods are declared under different fake / false names to avoid application of Valuation Ruling; that there was no concept of frequency inverters with or without battery; and kilowatts ratings are also not up to the mark. It was accordingly requested to revise the Valuation Ruling keeping in view aforesaid facts.

**5. Method adopted to determine Customs values:** Custom Valuation methods given in Section 25 of the Customs Act, 1969 were applied in sequential order to address the valuation issue at

hand. Transaction value method under Sub-Section (1) of Section 25 of the Act *ibid* was found inapplicable because requisite information under the law was not available. Moreover, no participant provided sufficient document in this regard. Identical and similar goods valuation methods provided in Sub-Sections (5) and (6) of Section 25 of the Customs Act, 1969 provided some reference values but due to wide variation and suppressed declarations, the same could not be relied upon. In the sequential order this office then resorted to conduct a market inquiry. The inquiry of different brands, KW and specifications was conducted from different markets in Karachi. Consequently, Deductive Value Method under Sub-Section (7) of Section 25 of the Customs Act, 1969, was applied to arrive at the assessable Customs values of the subject goods, being most appropriate for the purpose All the information together was evaluated and analyzed for the purpose of determination of customs values.

**6. Customs values for Frequency Inverters PCT (8504.4090):** Frequency Inverters PCT (8504.4090) *hereinafter specified* shall be assessed to duty/taxes on the Customs values given against them in the Table below:-

S. No.	Description of goods	H.S Code	Proposed PCT for WeBOC	Origin	Customs Values US\$ (C&F)/KW
1	2	3	4	5	6
1.	Frequency Inverters 0.1KW to 2.2 KW	8504.4090	8504.4090.1000	China	46
			8504.4090.1100	USA/ Europe/ Japan	67
			8504.4090.1200	Others	60
2.	Frequency Inverters 2.3KW to 5.5 KW		8504.4090.1300	China	40
			8504.4090.1400	USA/ Europe/ Japan	58
3.	Frequency Inverters 5.6KW to 7.5 KW		8504.4090.1500	Others	52
			8504.4090.1600	China	38
			8504.4090.1700	USA/ Europe/ Japan	55
4.	Frequency Inverters 7.6KW to 30 KW		8504.4090.1800	Others	50
			8504.4090.1900	China	34
		8504.4090.2000	USA/ Europe/ Japan	50	
5.	Frequency Inverters 30.1KW to 75 KW	8504.4090.2100	Others	45	
		8504.4090.2200	China	27	
		8504.4090.2300	USA/ Europe/ Japan	39	
6.	Frequency Inverters 75.1KW to 22 KW	8504.4090.2400	Others	36	
		8504.4090.2500	China	21	
		8504.4090.2600	USA/ Europe/ Japan	31	
7.	Frequency Inverters 200.1KW and above	8504.4090.2700	Others	28	
		8504.4090.2800	China	16	
		8504.4090.2900	USA/ Europe/ Japan	23	
		8504.4090.3000	Others	21	
<b>Note:</b> If the Frequency Inverters are imported in used condition, the assessed value should not be less than 50% per KW as mentioned in column # 6 above may be applied accordingly.					
<b>Note:</b> All MCCs, are requested to be more vigilant on clearance of subject goods which are also declared with following names.					
• Variable Frequency Drive (VFD)		• Variable Speed Drive (VSD)		• Inverter	
• Frequency Converter		• Frequency Inverter		• AC Drive	
• DC Drive		• 3-Phase Motor Controller		• Power Module	
• Inverter for Electric Motor		• Power Supply for Frequency Converter		• Low Frequency Inverter	

7. In cases where declared/ Transaction values are higher than the Customs value determined in this Ruling or higher evidential data is available of stipulated period (90 days), the assessing officer 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.

**8. Validity of this Valuation Ruling:** The value 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. Review of the value determined vide this Valuation Ruling:** A review petition may be filed against this Ruling, as provided under Section 25-D of Customs Act, 1969, within 30 days from the date of issue, before the Director General, Directorate General of Customs Valuation, 7<sup>th</sup> Floor, Custom House, Karachi.

10. 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 with respect to PCT may kindly be brought to the notice of Directorate General immediately.

**11. *This ruling supersedes Valuation Ruling No. 973/2016 dated 22-11-2016.***

**(SHAFIQUE AHMAD LATKI)**  
Director

Copy for information to:-

1. The Member (Customs, Operations), F.B.R., Islamabad.