



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 WELDING ELECTRODE
(MS,SS,BRONZE UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969

(VALUATION RULING NO. 211/2017)

No. Misc/11/2015-VI

Dated 20/09-2017

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Welding Electrode (MS,SS, & Bronze are determined as follows : -

2. **Description of the valuation issue:** Customs value of Welding Electrode (MS,SS, & Bronze were determined vide Valuation Ruling No. 832/2016 dated 15-04-2016. M/s Ashraf traders , importer approached the Directorate General of Customs Valuation for revision of values of welding electrode particularly E6013 of mild steel for the reason that prices of commodity have decreased internationally An exercise to re-determine the Customs value of the said goods under Section 25-A of the Customs Act, 1969 was initiated to reflect their current international price trend of subject items

3. **Stakeholders' participation in determination of Customs values:** Meetings with all stakeholders were scheduled on 24-07-2017, 10.08.2017 and 06.09.2017. Meetings were attended by manufacturers M/s Shanghai Industries Pvt. Ltd , importers including Ashraf Traders , M/s New Light -House Pvt. Ltd and officers from field formations .All the stakeholders 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 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.

4. The requisite documents were not submitted by participants. Few importers submitted record like import invoices and sales tax invoices. During the meetings, the manufacturers M/s Shanghai Industries Pvt. Ltd contested that the current valuation ruling No. 832/16 of welding electrode is not reflective of prevailing international prices of the commodity as prices of wire rod i.e its basic raw material comprising of more than 70% of Welding Electrode has increased significantly in recent times which is manifested by published Metal Bulletin prices which ultimately result in increase of prices of Welding Electrodes.



5. Secondly, they explained that Welding Electrode industry in Pakistan is established enough to fulfill the basic as well as intermediary needs of the country. They claim that M/s Shanghai Industries Pvt Ltd is the largest Welding Electrode manufacturer with the capacity and capability to fulfill mild steel (MS) types of Welding Electrode needs of the country. They also contended that electrodes attract high duty rates and there is no FTA on this commodity.

6. The importers contended that manufacturing cost of welding electrodes in China is cheap due to mass production and economy of scale, lower cost of raw material and technological advancement as compared to Pakistan. The importers were of the view that as per law the prices of locally manufactured welding electrodes are not applicable on import values. They further clarified that prices of locally manufactured welding electrodes is cheaper than the imported ones in local market, which counters the manufactures stance regarding increased price of welding electrode. Further, they expressed their reservations regarding costing and conversion costs provided by manufacturers, are not in conformity with the actual local market prices. Computed method can only be invoked on request of importer and whereas in this case he is not insisting on computed method and relying on Section 25(7) of the Customs Act, 1969. However, they did not submit corroboratory document in support of their contentions.

7. **Method adopted to determine Customs values:** Valuation methods given in Section 25 of the Customs Act, 1969 were applied sequentially 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 required information under the law was not available. 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 variations in the declarations the same could not be relied upon exclusively. In the sequential order this office also conducted market inquiries in terms of sub-section (7) of Section 25 of the Customs Act, 1969. It transpired in the market surveys that prices of locally manufactured welding electrode are being sold at lower prices which is not in consonance with the costing provided by the manufacturers. Moreover, the prices of MS E6013/MS E-7018 of Chinese origin, varied depending on different brands and specifications. The method previously adopted in two rulings was Section 25(7) of the Customs Act, 1969 based on market enquiries is more appropriate, because the method 25(8) of the Customs Act, 1969 can only be adopted when the manufacturing process of country of origin and cost is available to the Directorate. Moreover, the market value methods are conducive and relevant in this case. It is also observed that the manufacturer and importer instead of working on their market strategies and economy of scale usually approach valuation Directorate to enhance their trading profits.. Online available information was also checked. All the available information was analyzed and evaluated. Keeping all the above in view, customs values of welding electrodes are determined under sub-section (7) of Section 25 of the Customs Act, 1969.



8. **Customs values for Welding Electrode (MS,SS, & Bronze:** Welding Electrode (MS,SS, & Bronze *hereinafter specified* shall be assessed to duty / taxes at the following customs values :-

S.No.	Description	H.S. Code	Proposed PCT for WEBOC	Customs Value (C&F) USS/kg	
				China	Other origin
(1)	(2)	(3)	(4)	(6)	
01.	MS Welding Electrode AWS E6013 a) Golden Bridge, Stone Bridge b) J 421 Bridge, J-422 Bridge, Butterfly, Super Tiger, San Star c) Permanent, M.T, Other brands	8311.1000	8311.1000.1000	a) 0.70 b) 0.78 c) 0.82	0.90
02.	MS Welding Electrode AWS E7018 a) Golden Bridge, Stone Bridge b) J 421 Bridge, J-422 Bridge, Butterfly, Super Tiger, San Star - c) Permanent, M.T, Other brands		8311.1000.1030	a) 0.80 b) 0.85 c) 0.92	0.98
03.	SS Welding Electrode		8311.1000.1050	2.80	3.23
04.	Bronze Welding Electrode		8311.1000.1070	8.00	9.05

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. 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. 832/2016 dated 15-04-2016

(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 Peshawar/ Faisalabad.
12. Director, Directorate of Customs Valuation (Regional Office), Lahore.
13. Deputy Director (HQ), Directorate General of Customs Valuation, Karachi, for uploading in One Customs & WeBOC database and deleting Valuation Ruling 832/2016 dated 15-04-2016 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, 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, Appraisalment, 1st Floor, Custom House, Karachi.
21. Guard File.