

GOVERNMENT OF PAKISTAN
DIRECTORATE GENERAL OF CUSTOMS VALUATION
CUSTOM HOUSE KARACHI

File No. DG (V)/Val.Rev/961/2016

Dated: 20th December, 2016

Order in Revision No. 275/2016 under section 25-D of the Customs Act, 1969
against Valuation Ruling No.961/2016 dated 11-11-2016

- i. This copy is granted free of charge for the private use of the person to whom it is issued.
- ii. An appeal against this Order-in-Revision lies to the Appellate Tribunal, Customs having jurisdiction, under section 194-A of the Customs Act, 1969, within stipulated period as prescribed under the law. An appeal should bear a court fee stamp of Rs.1000/- (Rupees one thousand) only as prescribed under schedule-II item 22 of the Court Fee Act, 1870 and must be accompanied by a copy of this Order.
- iii. An extra copy of appeal, if filed, should simultaneously be sent to this office for information and record.
- iv. If an appeal is filed, the appellant should state whether he desires to be heard in person or through an advocate.

M/s Dollar Industries (Pvt.) Ltd. & Others

PETITIONERS

VERSUS

Director, Customs Valuation, Karachi

RESPONDENT

Date(s) of hearing

23-11-2016

For the Petitioners

Mr. Naeem Akhtar Yousuf
Mr. Shaheryar Shah
Mr. Muhammad Naqi C/O M/s Writing Instrument
of Manufacturer Group of Pakistan
Mr. Shamail Usman C/O M/s Indus Pencil Industries
Mr. Nasim Yousuf
Mr. Zia Taqdees C/O M/s Dollar Industries
Mr. Mumtazuddin C/O M/s ORO Industries
Mr. Zamiruddin C/O M/s Zubair & Co.
Mr. Usman C/O M/s Five Star Traders
Mr. Zafar Saleem C/O Zafar
Mr. Faizan C/O M/s KUKDA Services
Mr. Nomi C/O M/s Traders
Mr. Jamal C/O M/s Brother Pen Company
Mr. Junaid C/O M/s Enterprises
Mr. Ali Atta C/O M/s Shark Stationers

For the Respondent

Mr. Safdar Abbas, Principal Appraiser



This revision petition was filed under section 25-D of the Customs Act, 1969 against customs value determined vide Valuation Ruling No.961/2016 dated 11-11-2016 issued under section 25-A of the Customs Act, 1969, inter alia, on the following grounds:

2. Dollar's manufacturing facilities, including that of Pencils are located at S.I.T.E., Karachi, which have duly been inspected and audited by the FBR and Field Formation staffs several times. We are pleased to invite the honorable DG Valuation for a visit/inspection of our manufacturing facilities on any working day, round the year.
3. **Pencils (China Origin):** Almost all manufacturers of Writing Instruments in Pakistan are importing finished stationery products including Pencils in substantial quantities.
4. The C&F prices / declared values of finished Pencils imported in large quantities by almost all manufacturers are in the range of US\$ 4.13 to 4.52 and US\$ 5.5 to 5.74 per Kg., respectively for black lead and colour Pencils.
5. The prices of Pencils exported from Pakistan by almost all manufacturers are in the range of US\$ 3.82 to 4.3 and US\$ 5.07 to 5.74 per Kg., respectively for black lead and color pencils. (Customs data is enclosed Annex 'B').
6. The prices of Chinese Sandwich pencil slat, which is the main raw material used and imported by Pakistani Pencil's manufacturers, has shown a downward trend in the declared / assessed values, to the tune of 11 to 35% since 2013.
7. It is important to mention that one of manufacturer of pencils has also requested to reduce the value of Sandwich slate main ingredient used in manufacturing of pencils by 35% which support our contention that prices of pencils have further been reduced especially of China origin.
8. Chinese export data shows that the average export price of Chinese Pencils to various countries around the world including Pakistan is in the range of US\$ 4 to 4.5 per Kg.
9. Chinese export data shows that the average export price of Chinese Pencils to various countries around the world including Pakistan is in the range of US\$ 4 to 4.5 per Kg.
10. It is a wrong notion that the export prices of Chinese Pencils are in the range of US\$ 7 to 8 per Kg. Had that been the case, a big business for Pencils would have come to Pakistan at almost half the price on which the Pakistani Industry is exporting. Therefore, the contention is proved wrong in itself.
11. It is therefore requested to please determine the prices as our genuine transaction prices duly verified by Chinese Customs i.e., USD 4.20/kg for black lead and USD 5.55/kg for Color pencils.



12. **Glue Stick (Korean Origin):** As explained in the meeting Glue Stick is coming in various sizes mostly in 8g, 20g & 35g. The prices of small pack are higher than bigger whereas one value is determined for all sizes. The major portion of glue stick is made of plastic, the prices of which have been reduced by 30% during last 3 years as per enclosed evidence.

13. We therefore request you to please consider determination of Glue Stick (Korean origin) value of all 3 main sizes separately as follows:

- USD 5.90/kg for Glue Stick 8g (weight including plastic casing and cap)
- USD 5.00/kg for Glue Stick 20g (weight including plastic casing and cap)
- USD 4.50/kg for Glue Stick 35g (weight including plastic casing and cap)

14. **Staple Pins (China Origin):** Value was determined for all sizes as USD 1.70/kg. Staples pins are however being imported mainly in two sizes (No. 10 & 24/6). Their transaction price for No. 10 staple pins is USD 1.85/kg and for No. 24/6, it is USD 1.45/kg. The main ingredient to produce staple pins is Iron Galvanized Wire, the prices of which has been reduced and it is reflected in the recent valuating ruling No. 857/2016 dated 23/05/15 issued by the Directorate General of Customs Valuation at reduced values than before. They requested to revise the value with two different sizes accordingly.

15. **Fountain Pen Nibs (China Origin):** The value of fountain Nibs may be revised from USD 0.025 to USD 0.024/pc. This is raw material of our pen.

16. **Inks (Europe/Japan/USA/German & other origins):** There is large range of inks for Markers and Ball Pens being imported at different prices for various colors and types of pens. If you go through the imports data of Dollar Industries (Pvt.) Ltd., available with Customs record, import of different inks for manufacturing of stationery items ranges from USD 4.50 to USD 10/kg (Germany & Korean Origin). The data available on Zaubia Website for price of USD 4.50 to USD 5/kg of same source and origin as ours. The prices of inks may please be revised downwards as the is not manufactured locally.

17. It is therefore requested to apply minimum assessable value of USD 4.75/kg for Europe/Japan/USA/Germany origin and USD 5.20/kg for other origin.



18. In view of the above mentioned facts and submission duly supported through physical evidences, we hereby request the Directorate General of Customs Valuation to kindly issue a Order-in-review by following the provisions of Section 25-A of the Customs Act, 1969, in letter and in spirit, as well as in sequence, as envisaged under the law.

19. The respondent department was asked to furnish comments to the arguments submitted by the petitioner in the case. Para-wise comments on the petition are given as under:

20. Customs values of stationery items were earlier determined through Valuation Ruling No.868/2016, dated 09-06-2016. Meanwhile, representations have been received from importers

and the representative association of the importers with request that Valuation Ruling is 90 days old that it was issued without considering the prevailing prices in the international market. They have requested that Valuation Ruling may be revised in the light of prevailing international market. Therefore, this Directorate General initiated an exercise for determination of customs values of Stationery Items. Accordingly, meeting with stakeholders were held on 16-05-2016. Meeting with stakeholders was held on 27-09-2016. The association and importers were also requested to furnish the following documents before or during the stakeholders meeting:-

- a) Invoices of imports during last three months showing factual value.
- b) Websites, names and E-mail addresses of known foreign manufacturers of the item in question through which the actual current value can be ascertained.
- c) Copies of Contracts made / LCs opened during the last three months showing the value of item in question.
- d) 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.

21. A number of stakeholders attended the meeting. The local manufacturer, Pakistan Stationers Association, Karachi and representative of different importers participated. The local manufactures stated that generally the values correctly reflect the international prices of the stationery items but also expressed that certain items have been determined on higher side. On the other hand, importers agitated that the current determined values are much higher than the actual international prices and asserted that value determined on the basis of feedback from the local manufacturers would not reflect true picture and stated that cost of raw materials and conversion costs in Pakistan are much higher than the other countries, especially China and requested to provide level playing field. They also requested that while conducting market surveys, prices of stationery items may be obtained from the whole sale market. No documents of evidences as requisitioned were submitted during or given after the stakeholder meeting. The importers were specially asked to submit their sales tax invoices of past few months but they abstained from submitting any such documents. However, some importers submitted a few import invoices. Moreover, the Association submitted the proposed customs values without supporting any corroboratory evidences/documents through Karachi Chamber of Commerce & Industry, Karachi vide letter No.C&V/CORG/2016, dated 04-10-2016.



22. Valuation methods given in Section 25 of the Customs Act, 1969 were followed to arrive at customs value of Stationery Items. Transaction value method provided in Section 25 (1) was found inapplicable owing to wide variation in the values being declared to the customs and incomplete descriptions. 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 could not be relied upon due to wide variation in the items and different prices were being declared for similar and identical items. Thereafter, market enquiry as envisaged under Section 25 (7) of the Customs Act, 1969, was conducted; therefore different markets were surveyed for this purpose. Online prices were also obtained to corroborate the findings of the market surveys. Computed Value Method as provided in Section 25 (8) could not be applied for valuation of the

aforementioned goods as the cost of raw material and fabrication charges under clause (a) and amount of profit and general expenses under clause (b) of Section 25 (8) of the Act, in the country of export, could not be ascertained. All the information so gathered was evaluated and analyzed for the purpose of determination of customs values. Consequently, the Customs values of different types of Stationery Items have been determined under Section 25 (9) of the Customs Act, 1969.

Parawise Comments

23. **Pencils (China origin):** It is to be submitted that the prices of the subject goods have been determined under Section 25 (9) of the Customs Act, 1969, for the Chinese origin black lead pencils @US\$5.30/kg as against the suggested value @US\$4.20/kg by applicant. The suggested prices have not been substantiated any tangible evidences of import whereas this Directorate had also taken in account the local market prices which suggests customs value @US\$5.30/kg and for colour pencils @US\$6.00/kg as against suggested prices @US\$5.55/kg.

24. **Glue Stick (Korea Origin):** It is to be submitted that since the unit of measurement as Pakistan Customs Tariff in per kilogram, so the suggested prices by the applicant in accordance with 8gram, 20gram and 35gram do not found the correct basis of valuation.

25. **Staple Pins (China origin):** Denied. The prices of the staple pins have not been reduced due to the reason that the prices galvanized wire has been reduced. The customs values of the subject goods were determined under Section 25 (9) of the Customs Act, 1969, after taking in to account the local market prices. Since, the unit of measurement as Pakistan Customs Tariff in per kilogram, so the customs values cannot be determined in accordance with two different sizes.

26. **Fountain Pins-Nibs (China origin):** Denied. This was proposal of the applicant and no such instructions were issued to the staff for revision of value form US\$0.025/pc to US\$0.024/pc.

27. **Inks (Europe/Japan/USA/German & Other origins):** The applicant may be requested to provide the prices of the subject goods from US\$5.50/kg to US\$10.00/kg, enable this Directorate to include such ink of this range.

PRAYER:

28. It is respectfully prayed that the applicant's submissions have not been supported by tangible evidences. Accordingly, the petition has no merit for consideration and is liable to be rejected.

ORDER

29. Hearing in the case was fixed on 24-11-2016. The commercial importers and local manufacturers participated and submitted their grievances verbally in writing as under:-

30. The petitioner Mr.Ashraf Aftab appeared on behalf of the M/s Zainab Enterprises and submitted his grievances about "File Clips" that the department has determined customs values at US\$ 2.30/kg vide impugned Valuation Ruling No .961/2016 dated 11-11-2016 as against



previous Valuation Ruling No.868/2016 dated 09-06-2016 at US\$ 2.15/kg of China origin. Whereas the petitioner requested for determination of the subject items value at US\$ 1.00/kg. They stated that file cover alongwith clip is sold in market at Rs.100/piece therefore, they stated that, their offered price is justifiable for determination of customs values at US\$ 1.00/kg. The matter was re examined on the request of petitioner through market survey and found that the customs value should be US\$ 1.65/kg of file clip of Chinese origin.

31. Mr. Marwat importer of Scale Ruler of 6" to 12" plastic made and steel made contended that values of the said item have been determined on very higher side which may be reviewed on the basis of factual prices available in market He said that the value has been fixed as US\$ 0.30/piece for scale 12" steel whereas the ruler is being sold at Rs. 10-15 in the market therefore the Rs.30/ruler is much on higher side. This aspect was verified through market survey and found the values as under:-

- | | |
|---------------------------------|------------------|
| (i) Scale 6" inch plastic from | US\$ 0.09/piece |
| (ii) Scale 12 inch plastic from | US\$ 0.14/piece |
| (iii)Scale 6 inch steel from | US\$ 0.10/piece |
| (iv)Scale 12 inch Steel from | US\$ 0.15/piece. |

32. Mr. Zafar Saleem represented to M/s. Saleem & Co for the item sharpener and contended that its custom value at US\$ 8.00/kg may be reviewed and prices determined in pervious Valuation Ruling at US\$ 6.90/kg may be retained and fancy sharpener value was determined at US\$ 16/kg which may be revised on factual ground. The values of sharpener have been re-examined through market inquiry and other websites and the same have been worked out by work back method which are revised at US\$ 6.90/kg for normal sharpener and US\$ 12.00/kg of fancy sharpener of Chinese origin. The manufacturers also agreed on this value.

33. The Values of Crayons was contested and it was stated that the value have been determined at US\$ 4.50/kg of Chinese origin and US\$ 5.40/kg for other origin which are on higher side taking into consideration the market value prevailing now. The manufacturers of crayons also conceded that these values are higher. The values of Crayons are revised at US\$ 2.80/kg of Chinese origin and US\$ 4.10/kg for other origin.

34. Mr. Jamal-uddin stated that the retail price of ball pen is Rs 15/pc and be proposed 03-categories as under:-

- | | | | |
|------|---|---|---------------|
| i) | Plastic ball pen excluding gel pen and roller Pen | @ | US\$ 0.06/Pc. |
| ii) | Ball Pen with metal cap or using metal body pen | @ | US\$ 0.10/Pc. |
| iii) | Ball Pen with full metal body | @ | US\$ 0.20/Pc. |

The prices are same in the market as determined in the impugned valuation ruling therefore valuation ruling prices are maintained.

35. As far as value of ink for marker and ball pen is concerned they stated that it is on higher side. Custom values have been worked out after conducting market inquiry under section 25 (7) of the Custom Act, 1969. This is raw material for pens manufacturing. As per inquiry the values



are determined at US\$ 4.90/kg for China origin and at US\$ 5.20/kg for other origins excluding China.

36. For staple pins they stated that for all sizes one value i.e. US\$ 1.70/kg is given in the impugned valuation ruling which is required to be bifurcated for size 10 and 24 separately, especially for China origin. But the fact is that the smaller staple pins are sold at higher price (size 10). The petitioners request is genuine as confirmed through market survey. The value of staple pins size No.10 is determined at US\$ 1.75/kg and that of size No.24 at determined at US\$ 1.55/kg for China origin.

37. The petitioners of fountain pen nib argued that value at US\$ 0.025/pc determined for Fountain Pen Nib is on higher side. They requested that it may be reduced to US\$ 0.01/piece as this is a raw material and used in manufacturing of pens. Nib is technical item and is not manufactured locally. The request is acceded to in view of international prices.

38. The valuation aspect of black and color pencil has been re-examined through market survey and observed that market values are on higher side as compared to value determined vide impugned valuation ruling. The manufacturers of pencils stated that their industry is suffering because of undervaluation. The market survey of black and color pencils conducted to ascertain the factual position. It was observed that market prices were on higher side than determined in the impugned valuation ruling. As per manufacturer's contention the price per gross is US\$ 5.5 and US\$ 7.00 which works out to be US\$ 7.8 to US\$ 10/kg. On the other hand the importers were of the view that prices should be around US\$ 3 to US\$ 4/kg. By using work back method under section 25 (7) the custom values of black pencils and colour pencils were found on higher side.

39. The petitioner stated that sticky notes value has been determined at US\$ 5.20/kg, whereas sticker paper's Valuation Ruling is at US\$ 1.70/kg for self adhesive sticker paper. They further stated that photo copier paper is at US\$ 0.82/kg and glue is proportionately used 20% of the paper top. The contention of the importers is right. When self adhesive paper is at US\$ 1.70/kg then low sticky notes can fetch such higher price. The values were worked out through market survey under section 25 (7) of the Custom Act, 1969 and found on lower side.

40. The petitioners also requested to look into the prices of white correction fluid pen of Chinese origin. The market survey conducted revealed that the prices of 'white correction fluid pen' are notified on lower side i.e. at US\$ 5.10/kg for China origin whereas as per market survey it should be on higher side. Accordingly by using work back method under section 25(7) of the Customs Act, 1969, the value of 'white correction fluid pen' China origin is determined at US\$ 6/kg.

41. In view of above discussion, the values of aforesaid items have been determined under section 25 (7) of the Custom Act, 1969 as under:-



S#	Description of the goods	PCT	Proposed PCT for WeBoc	Origin	C & F values in US\$
02	Ink for Markers & Ball Pen	9608.9990	9608.9990.1000	China	4.80/kg
			9608.9990.1100	Other Origins	5.10/kg
06	White Correction Fluid Pen	3824.9050	3824.9050.1100	China	6.00/kg
13	Sticky Notes	4820.9000	4820.9000.1000	China	3.20/kg
			4820.9000.1100	Others	5.20/kg
20	Blinder Clip/File Clip/Clamps	8305.9000	8305.9000.1000	China	1.65/kg
			8305.9000.1100	Other Origins	2.10/kg
21	Normal Sharpener	8214.1000	8214.1000.1000	China	6.50/kg
		8214.2000	8214.2000.1000		
22	Fancy Sharpener	8214.1000	8214.1000.1100	China	12.00/kg
		8214.2000	8214.2000.1100		
23	Staple Pins (size No 10)	8305.2000	8305.2000.1000	China	1.75/kg
	(size No 24)	8305.2000	8305.2000.1010	China	1.55/kg
31	Scale 6 Inch Plastic	9017.8090	9017.8090.1000	China	0.09/pc
32	Scale 2 Inch Plastic	9017.8090	9017.8090.1100	China	0.14/pc
33	Scale 6 Inch Steel	9017.8090	9017.8090.1200	China	0.10/pc
34	Scale 12 Inch Steel	9017.8090	9017.8090.1300	China	0.15/pc
46	Nibs for Fountain Pen	9608.9100	9608.9100.1000	China	0.024/pc
			9608.9100.1100	Other Origins	0.028/pc
52	Color Pencils (Half/Full Size)	9609.1000	9609.1000.1000	China	7.50/kg
			9609.1000.1100	Other Origins	8.00/kg
53	Black Lead Pencils (with or without Rubber Tip)	9609.1000	9609.1000.1200	China	6.50/kg
54	Crayons	9609.1000	9609.1000.1500	China	2.80/kg
			9609.1000.1600	Other origins	3.80/kg



42. Being identical on facts and law point, this order shall apply mutatis mutandis to the following (21) petition.

S#	Petitioner' Name	File No.
1.	M/s Writing Instruments Manufacturers Group of Pakistan.	DG(V)Val.Rev/961 /2016
2.	M/s Indus pencil Ind.(Pvt.) Ltd.	DG(V)Val.Rev/961/2016
3.	M/s ORO Industries	DG(V)Val.Rev/961/2016
4.	M/s Brother Industries	DG(V)Val.Rev/961/2016
5.	M/s Qamar & Company	DG(V)Val.Rev/961/2016
6.	M/s Brother Pen Company	DG(V)Val.Rev/961/2016
7.	M/s Sethi International	DG(V)Val.Rev/961/2016
8.	M/s Maxi Inc	DG(V)Val.Rev/961/2016
9.	M/s Real Enterprises	DG(V)Val.Rev/961/2016
10.	M/s Salman Traders	DG(V)Val.Rev/965/2016
11.	M/s Salim & Company	DG(V)Val.Rev/965/2016
12.	M/s Central Office Products	DG(V)Val.Rev/965/2016
13.	M/s Toray Plast	DG(V)Val.Rev/965/2016
14.	M/s KUKDA Services	DG(V)Val.Rev/965/2016
15.	M/s Sayyed Engineers limited	DG(V)Val.Rev/965/2016
16.	M/s Zainab Enterprises	DG(V)Val.Rev/965/2016
17.	M/s Pak. Pencil (Pvt.) Ind.	DG(V)Val.Rev/965/2016
18.	M/s Bahadur Industries Lahore	DG(V)Val.Rev/965/2016
19.	M/s Kings Pen Co.	DG(V)Val.Rev/971/2016
20.	M/s Feroze Corp.	DG(V)Val.Rev/971/2016
21.	M/s Global Pen Co.	DG(V)Val.Rev/971/2016
22.	M/s Husnain Traders, Karachi	DG(V)Val.Rev/971/2016

(Syed Tanvir Ahmad)
Director General

Registered copy to:

M/s Dollar Industries (Pvt.) Ltd.
D-85, S.I.T.E., Karachi.

M/s Writing Instruments Manufacturers Group of Pakistan,
B-54, S.I.T.E., Manghopir Road , Karachi.

M/s Indus pencil Ind.(Pvt.) Ltd.
B-54, S.I.T.E., Karachi.

M/s ORO Industries
Plot No. 86-87 sector, 23, Korangi Industrial Area, Karachi.

M/s Brother Industries
190/1, Sector-23 , Korangi Industrial Area, Karachi.

M/s Qamar & Company
72, Block III, D.M.C.H, Society, Karachi.

M/s Brother Pen Company
19-A , Shabbirabad, Karachi.

M/s Sethi International
1st Floor, 11-E, 7th Commercial Lane,
Zamzama Boulevard, Defence, Phase V, DHA, Karachi.

M/s Maxi Inc
Al-Jannat Road, Saggian Ravi By-Pass, Nain Sukh , Lahore.

M/s Real Enterprises
Shade No. 01, Plot No. E-96, S.I.T.E. Super Highway, Phase II, Karachi.

M/s Salman Traders
1/E, 1st Floor, 22nd Commercial Street Phase-II (Ext.) DHA , Karachi.

M/s Salim & Company
229-2/C PECHS , Block 2 Karachi.

M/s Central Office Products
B-3, 2nd Floor , Pak Chamber West Wharf, Karachi.

M/s Toray Plast
Al-Jannat Road, Saggian Ravi By-Pass, Nain Sukh , Lahore.

M/s KUKDA Services
E-41, 4th Floor, Motandas Building, M.A Jinnah Road, Karachi.

M/s Sayyed Engineers limited
Office No. 203 ,2nd Floor, K.C.H. Society, Block No. 718, Gohar Chamber,
Near Baloch Bridge, Shahrah-e-Faisal, Karachi.

M/s Zainab Enterprises
Room # 501, 5th Floor Hussain Trade Centre, New Challi Karachi.

M/s Pak. Pencil (Pvt.) Ind.
24-KM, Ferozepur Road, Near PSO Petrol Pump, Lahore.

M/s Bahadur Industries Lahore
C/O Mian A.Ghaffar 15/2 , Munawar Chambers, I-Mozang Road Lahore.

M/s Kings Pen Co.

M/s Feroze Corporation

M/s Global Pen Co.

M/s Husnain Traders
C/O Nadeem & Company (Consultants)
B-3, 2nd floor, Pak Chamber, West Wharf Road, Karachi

Copy to:

1. Member (Customs), FBR, Islamabad.
2. Chief Collectors Customs Appraisement (South)/Enforcement, Karachi/
(North) Islamabad/(Central) Lahore.
3. Collector, MCC Appraisement (East)/ Appraisement (West)/Port M. Bin Qasim/
Preventive, Karachi.
4. Collector, MCC, Appraisement/Preventive, Lahore/Quetta/Peshawar/Faisalabad/
Sambrial/Multan/Hyderabad/Islamabad/Gilgit-Baltistan/Gawadar.
5. Director, Customs Valuation, Karachi/Lahore.
6. Deputy Director (HQ), Directorate General of Customs Valuation, Karachi for uploading
in One-Customs and WeBOC database.
7. Asstt. Director (Review), Karachi.
8. All Deputy/Assistant Directors (Valuation)
9. Guard File.