



GOVERNMENT OF PAKISTAN
DIRECTORATE GENERAL OF CUSTOMS VALUATION
CUSTOM HOUSE KARACHI

The Collectors of Customs, Model Customs Collectorates, Appraisement (East / West)/ Port Qasim / Exports / Preventive, Karachi / Lahore (Appraisement / Preventive) / Sambrial (Sialkot) / Faisalabad / Multan / Islamabad / Hyderabad / Quetta / Peshawar/ Gawadar/ Gilgit-Baltistan

DETERMINATION OF CUSTOMS VALUES OF "COTTON WASTE"
UNDER SECTION 25-A OF CUSTOMS ACT, 1969

(VALUATION RULING NO. 1090/2017)

No. DG/VAL/10/database/2016

1758

Dated: 17-03-2017

In exercise of powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Cotton Waste of various kinds / categories are determined as follows:-

2. **Background of the valuation issue:** This Valuation Directorate had earlier conducted an audit of the clearance values and found the same to be on the lower side, in comparison with the international trading and national selling prices. As an immediate remedial measure this Directorate General of Customs Valuation had issued a Valuation Database Value Vide VDB Letter No. 05 dated 09.06.2016. Subsequently, representations were received from APTMA (letter no. ADM/SEC-2/206 dated 24.02.2017) for revisiting the VDB value. Furthermore, since a substantial time period had passed since the issuance of the VDB value, an exercise was thus undertaken to determine the Customs Values of subject goods under section 25-A of the Customs Act, 1969 and therefore, converting the VDB value into a Valuation Ruling.

3. **Stakeholders' participation in determination of Customs values:** A meeting was held on 27-02-2017 with stakeholders including importers, local manufacturers who were importing cotton waste for further processing and officials of clearance Collectorates. The points of view of all stakeholders were tabled and deliberated upon. It transpired that for purpose of proper valuation, the subject goods need to be segregated categories-wise, for valuation. It was agreed upon that as the base value is to be calculated by taking previous three month data taken from the Intercontinental Exchange (ICE) which, on daily-basis, publishes the international trading prices of cotton (in pounds). From the three previous months data a simple average would be taken (without any out-layers) to neutralize the fluctuations in trading prices. Representative of M/s APTMA in the capacity of industry-experts provided suggestions regarding values of the various kinds / categories of cotton wastes in relevance to the international trading prices derived from Intercontinental Exchange (ICE) and the same were considered at the time of final determination calculations under section 25A of Customs Act, 1969.

4. **Method adopted to determine Customs values:** Valuation methods provided in Section 25 of the Customs Act, 1969 were duly applied in their regular and sequential order to address the particular valuation issue at hand. The transaction value method as provided in Sub-Section (1) of Section 25, found inapt in light of the wide variety of manipulated invoices produced at import stage and as no invoices were reported to be found inside the containers (as per the international trading standards), thus, requisite information required under law was not available



to arrive at the correct transaction value. Identical / similar goods value method provided vide 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 market inquiries, 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. 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 are not available. Finally, Pral database, market information and international prices through Web were examined thoroughly. All the information so gathered was utilized and analyzed for determination of Customs Value of subject goods under the Fall Back Method as provided under section 25(9) of the Customs Act, 1969, applied to arrive assessable customs values of Cotton Waste.

5. **Customs Values for Cotton Waste of different qualities and various origins:** Cotton Waste of different qualities and various origins *hereinafter specified* shall be assessed to duty /taxes at following assessable customs values:-

S. No.	Description of Goods	PCT Code	Proposed PCT For WeBOC	Origin	Customs Value (C&F) US \$ /KG
(1)	(2)	(3)	(4)	(5)	(6)
1	Comber Noil 100% Cotton	5202.9900	5202.9900.1000	Egypt	1.20
			5202.9900.1100	Other Origins	1.15
			5202.9900.1200	U.K / U.S.A	1.22
2	Yarn Thread Waste 100% Cotton	5202.1000	5202.1000.1000	U.K / U.S.A	0.80
			5202.1000.1100	Other Origins	0.75
	Yarn Thread Waste (Poly Cotton Mix)	5202.1000	5202.1000.1000	U.K / U.S.A	0.55
			5202.1000.1100	Other Origins	0.50
3	Pure Cotton Waste (Card Fly, Silver, Roving, Licker-in etc.)	5202.9900	5202.9900.1000	Egypt	0.85
			5202.9900.1100	Other Origins	0.80
			5202.9900.1200	U.K / U.S.A	0.87
4	Garneted Cotton Waste	5202.9100	5202.9100.1000	Bangladesh	0.80
			5202.9100.1100	Other Origins	0.75
			5202.9100.1200	U.K / U.S.A	0.82



5	Hosiery & Denim Clips Small Cutting Scrap Twine, Cordage, Rope-sorted (Maximum Size 1 Meter or Less)	6301.1000	6301.1000.1000	Korea / Malaysia	0.45
			6301.1000.1100	U.K / U.S.A Belgium	0.47
			6301.1000.1200	Other Origins	0.40
	Hosiery & Denim Clips Small Cutting Scrap Twine, Cordage, Rope-Non-sorted (Maximum Size 1 Meter or Less)	6301.1000	6301.1000.1000	Korea / Malaysia	0.40
			6301.1000.1100	U.K / U.S.A Belgium	0.42
			6301.1000.1200	Other Origins	0.35

6. 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 Custom 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.

7. **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.

8. **Revision of the value determined vide this Valuation Ruling:** This Valuation Ruling is appealable under the law and a revision petition may be filed against this Ruling, 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.

9. 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.

10. ***This Ruling Supersedes Valuation Database VDB No. 5 Dated 09.06.2016.***

(Dr. Wasif Ali Memon)
Director

Copy for information to: -

1. Member (Customs), F.B.R., Islamabad.
2. Director General, Customs Valuation, Custom House, Karachi.