



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. ¹²⁵⁷2018)

No. Misc/11/2015-VI /123

Dated: January 25 , 2018

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 background of valuation issue:** Customs values of Welding Electrode (MS, SS, & Bronze) were determined vide Valuation Ruling No. 1211/2017 dated 20-09-2017. Revision petitions were filed before the Director General, Customs Valuation under Section 25D of the Customs Act, 1969 by some importers and manufacturers for revision of the values determined in the above-mentioned valuation ruling. The Director General, Customs Valuation remanded back the Valuation Ruling No. 1211/2017 dated 20-09-2017 vide Order-in-Revision No.423/2017 dated: 22.11.2017 with the directions for conducting afresh the exercise of determining customs values of Welding electrodes (MS, SS and Bronze) imported from various origins after hearing the stakeholders including the petitioners and representatives of the concerned trade bodies/ associations with the following observations that firstly, one values of welding electrode E6013 was notified in previous valuation rulings but in impugned valuation ruling, values were notified in categories and brand wise; secondly, total reliance on market survey despite reminders from manufacturers that presence of goods finding its way through illegal sources; thirdly, increasing trend in prices of raw material of subject material as reflected in internationally published metal bulletin was ignored while determining the values of welding electrodes and moreover, price parity of welding electrodes imported from China and other origins needs revisited. Moreover, a reference was also forwarded from MCC Appraisement East Karachi on the request of local manufacturer to the Chief Collector Appraisement-South Karachi for the reasons that rise in price of raw material as evident from LMB has not been considered by Directorate of Valuation in Valuation Ruling No. 1211/2017 dated 20-09-2017 and it was proposed by the Collectorate to "link the valuation of welding electrode with LMB prices after working out the element of value addition to the prices of LMB material in consultation with the stakeholders". In light of observations as pointed out in Order-in-Revision and Collectorates' feedback , this Directorate initiated an exercise to re-determine the customs value of the said goods under Section 25-A of the Customs Act, 1969.

3. **Stakeholders' participation in determination of Customs values:** Meeting with stakeholders was scheduled on 15-01-2018 and attended by manufacturer M/s Shanghai Industries Pvt. Ltd, and importers, including Ashraf Traders, M/s New Light House Pvt. Ltd, Welding Electrode Manufacturers Association, M/s All Pakistan Welding Products Importers Association and officers from field formations.



4. During the course of meeting, the representative of M/s Shanghai Industries Pvt. Ltd claimed to be the largest manufacturer of welding electrode in the country and contested that the valuation ruling No. 1211/2017 dated 20-09-2017 has been issued in the light of market survey while London Metal Bulletin is a better instrument to reach at fair values of welding electrodes. The constituent materials of welding electrodes are approximately 70% wire rod and almost 30 % flux and potassium. The increasing prices of wire rod as reflected in London Metal Bulletin clearly substantiate their contentions. Hence, values so determined on the basis of market surveys were not reflective of prevailing international prices of the subject commodity. Low carbon wire rod, the main constituent material of welding electrodes, is also assessed in the light of valuation ruling No. 693/2016 dated: 26.09.2014 wherein the values of the aforesaid goods have been hedged with LMB prices. Therefore, they further contended that the prices of welding electrode may be aligned with London Metal Bulletin which is more logical, authentic and flexible. Whereas, the importers argued that values may be determined in terms of market survey and not on LMB prices and a single customs value may be determined for all brands of Mild Steel welding electrodes as has been done in Stainless steel and Bronze welding electrodes. They further submitted that values have internationally declined due to mass production, technological advancement and cheap labour in China. They also contended that although the manufacturer claimed that cost of manufacturing welding electrodes have increased significantly due to price hike of low carbon wire rod in LMB but, the prices of locally manufactured welding electrodes as evident from market survey belies the claims of manufacturer even for the items produced by the local manufacturer. Another importer from Ms Asian Trade Center claimed that their product is incorrectly mentioned at Serial No. 2(b) where as company does not produce electrodes of this specifications. They vehemently contested price difference kept in the ruling on the basis of brand names is misleading as all items falling in a category are of the same quality and contended that market values vary because they have invested in brand name building.



5. **Method adopted to determine Customs values:** Valuation methods given in Section 25 of the Customs Act, 1969 were followed to arrive at customs values of welding electrodes. Transaction value method provided in Section 25 (1) was found inapplicable because the requisite information was not available. Identical / similar goods value methods provided in Section 25(5) & (6) were examined for applicability to the valuation issue in the instant case which provided some reference values of the subject goods but the same could not be exclusively relied on due to wide variation in declared values of subject goods. Thereafter, market enquiry as envisaged under section 25(7) of the Customs Act, 1969, was conducted. The computed value method as provided in Section 25(8) of the Customs Act, 1969, was also applied on a number of MS welding electrodes. Online values of subject goods were also obtained. All the information so gathered was evaluated and analyzed for the purpose of determination of customs values. Consequently, the Customs values of welding electrodes have been determined under Section 25(9) of the Customs Act, 1969.

6. **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 :-

Table -A

S.No.	Description	H.S. Code	Proposed PCT for WEBOC		Customs Value (C&F) USS/kg
(1)	(2)	(3)	(4)		(5)
01	MS Welding Electrode AWS E6013	8311.1000	8311.1000.1000	China	70% of LMB prices (wire rod) (+) add 5% (on account of Draw quality, size etc) (+) add - USS 188/ M.Ton for other raw materials (+) add 15% (manufacturing and fabrication cost) (+) add USS 40/ MT (minimum, on account of freight charges)
02				Other origins	70% of LMB prices (wire rod) (+) add 5% (on account of Draw quality, size etc) (+) add USS210/M.Ton for other raw materials (+) add 15% (manufacturing and fabrication cost) (+) add USS 40/ MT (minimum, on account of freight charges)
03	MS Welding Electrode AWS E7018	-	8311.1000.1200	China	70% of LMB prices (wire rod) (+) add 5% (on account of Draw quality, size etc) (+) add USS 240/ M. Ton for other raw materials (+) add 15% (manufacturing and fabrication cost) (+) add USS 40/ MT (minimum, on account of freight charges)
04			8311.1000.1300	Other origins	70% of LMB prices (wire rod) (+) add 5% (on account of Draw quality, size etc) (+) add USS 275/ M.Ton for other raw materials(+) add 15% (manufacturing and fabrication cost) (+) add USS 40/ MT (minimum, on account of freight charges)

Table -B

S.No.	Description	H.S. Code	Proposed PCT for WEBOC	Customs Value (C&F) USS/kg	
				China	Other origins
(1)	(2)	(3)	(4)	(5)	(6)
01	SS Welding Electrode	8311.1000	8311.1000.1400	2.75	3.20
02	Bronze Welding Electrode		8311.1000.1500	7.75	9.01

Note: Welding electrode is mainly made up of wire rod (70%) and blended powder Flux, potassium carbonate, silicate, etc (30%).

7. 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.

8. **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.

9. **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.

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 may kindly be brought to the notice of this Directorate General immediately. Customs values determined in the ruling are for the description and specifications as mentioned herein. PCT Codes are mentioned for illustrative purposes so that valuation ruling values are made accessible to the assessing officers. 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.

11. ***This ruling supersedes Valuation Ruling No. No. 1211/2017 dated 20-09-2017***


(Muhammad Iqbal Muneeb)
Director
28/11/17

Copy for information to: -

1. Member (Customs), FBR, 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