



GOVERNMENT OF PAKISTAN
DIRECTORATE GENERAL OF CUSTOMS VALUATION
CUSTOM HOUSE KARACHI

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

Determination of Customs Values of Conventional and Inverter Type Air Conditioners (HS Code 8415.1020) Under Section 25-A of the Customs Act, 1969

(VALUATION RULING NO. 744/2015)

No. Misc/11/2015-VII 9020

Dated: June 10, 2015

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Split Air Conditioners with and without Inverter (Wall mounted/Floor Standing) are determined as follows:

2. **Background of the valuation issue:** A reference was received from MCC-Appraisement (West), Karachi that existing valuation ruling regarding conventional air conditioners does not cover inverter type air conditioners. Local manufacturers have also filed complaints against incorrect assessments of inverter type air conditioners. Therefore, an exercise to determine the customs values of different types of air conditioners under section 25A of the Customs Act, 1969, was initiated. A preliminary market inquiry indicated that there is significant difference in price of conventional vis-à-vis inverter type air conditioners of the same capacities and brands. On line prices were also checked. Stakeholders meetings were also scheduled and all the information including findings of the said market inquiry were placed before the participants for deliberations.

3. **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 then conducted market inquiry in terms of Sub-Section (7) of Section 25 of the Customs Act, 1969, during the market survey; it has been observed that there are wide variations in the selling prices on account of introduction of inverter type air conditioners. Online values of different types of air conditioners were also obtained. Input and feed back by the participants during the Stakeholders' meetings were also considered. All the available information was analyzed and evaluated. Keeping all the above in view, Customs values of Air Conditioner with and without Inverters (Wall mounted/Floor Standing) are, determined under Sub section (9) of Section 25 of the Customs Act, 1969.

4. **Stakeholders' participation in determination of Customs values:** Meetings were held with stakeholders 21-05-2015 and 03-06-2015. During the meeting, local manufacturers contended that inverter type air conditioners are very expensive and that this is very modern and advanced technology which saves energy and that inverter type air conditioners are sold in the international market at very high premium. On the other hand importers, while admitting the fact that inverter type air conditioners are expensive than the conventional ones



but the difference as being portrayed by local manufacturers is misleading. The difference between the two relates to inverter type compressor (DC compressor) and some modifications in circuitry. They further contended that premium in market prices is mainly on account of advertisement for energy saving and newness of technology. They contended that prices of inverter type air conditioners would fall quickly as this gains popularity. They requested to enhance price from the existing values to the extent of 15 %, otherwise, the legal import would be adversely affected.

5. **Customs values for conventional and Inverter type Air Conditioners (Wall mounted/Floor Standing):** Conventional and Inverter type Air Conditioners (Wall mounted/Floor Standing) *hereinafter specified* shall be assessed to duty/ taxes at the following Customs value:-

S. No	Split Air-Conditioners	PCT Code	Proposed PCT for WeBOC	Origin	Customs Values (C&F) US\$ /unit (Conventional)	Customs Values (C&F) US\$ /unit (Inverter type)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Wall mounted 12000 BTU	8415.1020	8415.1020.1000	China	209	282
2	Wall mounted 18000 BTU	8415.1020	8415.1020.1100	China	242	327
3	Wall mounted 24000 BTU	8415.1020	8415.1020.1200	China	300	405
4	Floor standing 24000 BTU	8415.1020	8415.1020.1300	China	477	644
5	Floor standing 48000 BTU	8415.1020	8415.1020.1400	China	690	932
6	Floor standing 60000 BTU	8415.1020	8415.1020.1500	China	822	1,110
7	Wall mounted 12000 BTU	8415.1020	8415.1020.1600	Far East excluding Japan	225	304
8	Wall mounted 18000 BTU	8415.1020	8415.1020.1700	Far East excluding Japan	291	393
9	Wall mounted 24000 BTU	8415.1020	8415.1020.1800	Far East excluding Japan	340	459
10	Floor standing 24000 BTU	8415.1020	8415.1020.1900	Far East excluding Japan	534	721
11	Floor standing 48000 BTU	8415.1020	8415.1020.2000	Far East excluding Japan	816	1,102
12	Floor standing 60000 BTU	8415.1020	8415.1020.2100	Far East excluding Japan	1017	1,373

Note: Indoor units if imported separately, shall be assessed @US\$ 40% of the value of CBU Air Conditioners and out door units if imported separately, shall be assessed 60% of the value of CBU Air conditioners as notified above in all categories

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-

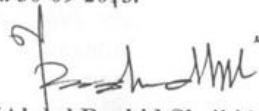
Section (1) of Section 25 of the Customs Act, 1969. In case of consignments imported by air, the assessing officer shall take into account the differential between air freight and sea freight while applying the Customs values determined in this Ruling.

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 or section 25-D of the Customs Act, 1969.

8. **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 issuance of this Ruling, before the Director General, Directorate General of Customs Valuation, 7th Floor, Custom House, Karachi.

9. Any anomaly observed may kindly be brought to the notice of this Directorate General immediately for redressal.

10. *This Ruling supersedes Valuation Ruling No. 586/2013 dated 30-09-2013.*


(Abdul Rashid Sheikh)
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 (Appraisal), 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.
9. Director General, Post Clearance Audit (PCA), Islamabad.
10. Director General Internal Audit, (Customs), Islamabad.
11. Directors, Intelligence & Investigation, Karachi / Lahore / Islamabad / Quetta/Peshawar/ Faisalabad.
12. Director, Directorate of Customs Valuation (Camp Office), Lahore.
13. Deputy Director (HQ), Directorate General of Customs Valuation, Karachi, for uploading this Ruling in the system.
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, Appraisal, 1st floor, Custom House, Karachi.
21. Guard File.