



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 Silk Fabrics
Under Section 25-A of the Customs Act, 1969

(VALUATION RULING NO. 810/2016)

No. Misc/20/2013-IV

17916

Dated: January 26, 2016

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, Customs values of Silk Fabrics are determined as follows :-

2. **Background of the valuation issue:** A Valuation Ruling regarding silk fabric was issued vide Valuation Ruling No.648/2014, dated 26-03-2014. The Directorate General of Post Clearance Audit, Lahore, filed a revision petition before the Director General Customs Valuation in terms of Section 25D of the Customs Act, 1969, against the said ruling on the pretext that the values determined thereby were not reflective of the international prices as evidences of higher values were available in the relevant data and that the values of silk yarn determined vide Valuation Ruling No. 107 dated 16-06-2008 was higher than the customs values determined of the finished goods i.e. silk fabric. The matter was remanded back to Director Valuation, Karachi vide Order-in-Revision No.93/2015 dated 12-03-2015 to determine the customs values afresh after taking all stakeholders on board including the petitioners and representatives of clearance Collectorates for their expertise/input. Moreover, the Directorate General of Intelligence and Investigation Karachi vide letter C.No. Appg-14/DCI/R&A/Silk/2014/2459 dated, 16-01-2015 also highlighted the same issues. Thus an exercise was initiated for determination of Customs values of Silk Fabric afresh.

3. **Stakeholders' participation in determination of Customs values:** Stakeholders' meetings were held on 02-04-2015, 28-04-2015, 27-05-2015, 18-06-2015, 06-2015 and 03-09-2015 and a final meeting was held on 14-01-2016 where different stakeholder including importers, representatives of clearance Collectorates including MCC Islamabad, Directorate of Customs Valuation Lahore, Directorate General PCA Lahore, and trade bodies including APTMA, FPCC&I, KCC&I, PYMA were invited to participate. The final meeting held on 14-1-2016 was attended by representatives of Directorate General of Post Clearance Audit, Lahore, Directorate General of Valuation, Lahore, MCC Islamabad, MCC Appraisement (East), MCC Appraisement (West) and importers from Gilgit. None of the



representative including APTMA, FPCC&I, KCC&I, PYMA appeared for the meetings scheduled.

4. All the participants had been requested to bring along samples and their market surveys so that the prices as available all over Pakistan could be taken into consideration along with the weight and grammage per meter. Only the representatives from MCC Islamabad brought along the requisite samples and market survey details. The importers from Gilgit also produced samples of certain types of silk fabric with the claim that most of their imports relate to the type of silk presented during the meeting. Representatives of Directorate General of Valuation, Lahore, brought along their market survey but no samples were produced. Their findings were simplistic and vague in terms of prices and grammage. The existing ruling caters for 12 categories of silk fabric, but their report pertains to 'silk cloth' and 'silk dupatta' from Aazam Cloth market and Liberty / Ichra / Link Road Model Town market. They were advised to conduct a proper survey again and forward their findings along with representative samples. No report was however sent in this regard. The representatives of Directorate General of Post Clearance Audit, Lahore, reiterated what has already been stated in their representations. They had also been requested to conduct market survey and bring samples; their representative produced no survey report as requested vide letter of this Directorate General No. Misc /20 /2014-IV/7528 dated December 31, 2015. They did not present any samples but insisted during the said meeting that the values of silk fabric should be so determined on the basis of higher evidences in the clearance data of southern clearance Collectorates. He emphasized once again that the value should have its base in silk yarn as determined vide Valuation Ruling No 107 dated 16-06-2008.

5. The import data of silk yarn was perused and it transpired that the same is basically concentrated in southern clearance Collectorates, MCC Appraisement East and West, Karachi. This yarn is essentially imported by manufacturers of silk fabric which made ceremonial dresses for special occasions and are sold at high premium. This fact was further later confirmed by the representatives of yarn merchants association. The yarn so imported has thus no relevance with silk fabric imported from China through Sust border.

6. The experts from the clearance Collectorates were asked for their opinions about the differences in values of different types of silk fabric, and silk fabric vs silk yarn. They were of the opinion that silk yarn is made up of 100% silk but the percentage of silk in silk fabric differs and the same are mostly blended with other yarns like cotton, wool, viscose and polyester spun into silk to give it different finishing and looks along with strength and durability. They also stated that there are different varieties of silk fabric and equating one with the other can be misleading because there can be compositions of different yarn counts, i.e., very fine, fine, and course. The silk fabric thus made can be of very different qualities and that



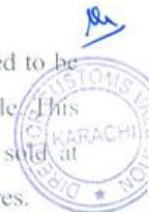
prices are heavily dependent on the quality of fabric. Moreover, blended silk fabric is comparatively cheaper.

7. The importers from Gilgit argued that the silk fabric imported by them differed from that imported by M/s Gul Ahmed Textile Mills Ltd, M/s Khaadi etc. as their import of silk fabric is of higher quality whereas they (importers of Gilgit) import low quality silk to cater for general public. They explained that commercial importers import silk fabric in bulk quantities and sell the same at whole sale prices in the open market. They submitted that M/s Gul Ahmed Textile Mill Ltd and M/s Khaddi etc. are big names in fashion and higher end apparel and that they sell their wear at their own retail outlets and in elitist markets and malls, therefore, comparison of their prices with them is not justified on any grounds.

8. **Method adopted to determine Customs values:** After detailed discussion, valuation methods given in Section 25 of the Customs Act, 1969 were followed to arrive at fair value of silk fabric. Transaction value method provided in Section 25 (1) was found inapplicable because the requisite information was not available as per law. 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 the following reasons:

- a) The import data of silk fabric of the period July 2015 to December 2015 was examined. It is evident from the same that the silk fabric being cleared from the southern Collectorates, i.e., MCC Appraisement East and West is being imported by the big names in the textile industry like Ms Gul Ahmed Textile Mills Ltd, Ms Khaadi, Ms Nishat Linen, Ms SS Fashion Resource, Ms Ibrahim Textile Mill Pvt Ltd etc. The quantum of commercial imports is relatively low. The values declared by the aforementioned textile giants are much higher than those declared by the commercial importers whose imports are concentrated in the northern Collectorate like MCC Islamabad, MCC Gilgit-Baltistan.
- b) Ms Gul Ahmed Textile Mills Ltd, Ms Khaadi, Ms Nishat Linen, etc are deemed to be high end brands and their clothing enjoys a good reputation and an elite clientele. This is basically due to the superior quality of their fabric. These goods are not sold at ordinary markets in bulk. They sell their fabrics at high prices in fancy retail stores.
- c) The prices of these goods are the same in all retail stores at all localities and not subject to bargaining like those in markets where loose fabric is sold. The silk fabric imported by commercial importers are mainly sold at ordinary localities and their prices are not as high as those of the designer brands.

9 Thereafter, market enquiry as envisaged under Section 25(7) of the Customs Act, 1969, was conducted. The prices of different types of Silk fabric in the market varied



significantly and were heavily dependent on quality of the fabric and the location of the selling point or shop in the city in Karachi. Valuable input was also contributed by MCC Islamabad in this regard. The representatives of said collectorate shared their market survey and samples. They obtained prices from local markets in Rawalpindi, Islamabad, Abbottabad, Rashakey etc. Hence this Directorate General corroborated their submitted prices with the prices prevalent in Karachi markets and compared the grammage per meter of their samples with those obtained from the local market at Karachi. Online values were also checked. The computed value method as provided in Section 25(8) of the Customs Act, 1969, could not be applied as the conversion costs from constituent material at the country of export were not available. All the information so gathered was evaluated and analyzed for the purpose of determination of customs values. Consequently, the Customs values of Silk Fabrics have been determined under Section 25(9) of the Customs Act, 1969.

10. **Customs values for Silk Fabrics :** Customs Values for Silk Fabric *hereinafter specified* shall be assessed at following Customs Values:-

S. No.	Description of Goods	PCT Heading	Proposed PCT for WeBOC	Origin	Customs Value (C&F) US\$/KG
(1)	(2)	(3)	(4)	(5)	(6)
1.	Textile Silk Fabric Crinkle	5007.1000 5007.2000 5007.9000	5007.1000.1010 5007.2000.1010 5007.9000.1010	China	21.00
2.	Textile Silk Fabric Crinkle (Embroidered)	5007.1000 5007.2000 5007.9000	5007.1000.1020 5007.2000.1020 5007.9000.1020	China	35.00
3.	Textile Silk Fabric Tissue	5007.1000 5007.2000 5007.9000	5007.1000.1030 5007.2000.1030 5007.9000.1030	China	23.50
4.	Textile Silk Fabric Tissue (Embroidered)	5007.1000 5007.2000 5007.9000	5007.1000.1040 5007.2000.1040 5007.9000.1040	China	36.00
5.	Textile Silk Fabric Chiffon (Plain)	5007.1000 5007.2000 5007.9000	5007.1000.1050 5007.2000.1050 5007.9000.1050	China	23.00
6.	Textile Silk Fabric Chiffon (Embroidered)	5007.1000 5007.2000 5007.9000	5007.1000.1060 5007.2000.1060 5007.9000.1060	China	34.00
7.	Textile Silk Fabric Chiffon Crinkle	5007.1000 5007.2000 5007.9000	5007.1000.1070 5007.2000.1070 5007.9000.1070	China	21.50
8.	Textile Silk Fabric Chiffon Crinkle (Embroidered)	5007.1000 5007.2000 5007.9000	5007.1000.1080 5007.2000.1080 5007.9000.1080	China	35.00
9.	Textile Silk Fabric Chiffon Printed	5007.1000 5007.2000 5007.9000	5007.1000.1090 5007.2000.1090 5007.9000.1090	China	24.00



10.	Textile Silk Fabric Chiffon Printed (Embroidered)	5007.1000	5007.1000.1100	China	38.00
		5007.2000	5007.2000.1100		
		5007.9000	5007.9000.1100		
11.	Textile Silk Fabric Grip /Wrought	5007.1000	5007.1000.1110	China	24.00
		5007.2000	5007.2000.1110		
		5007.9000	5007.9000.1110		
12.	Textile Silk Fabric Grip /Wrought (Embroidered)	5007.1000	5007.1000.1120	China	34.00
		5007.2000	5007.2000.1120		
		5007.9000	5007.9000.1120		

11. 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.

12. **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.

13. **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.

14. 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.

15. *This ruling supersedes Valuation Ruling No.648/2014, dated 26-03-2014.*


(Manzoor Hussain 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.