



GOVERNMENT OF PAKISTAN  
DIRECTORATE GENERAL OF CUSTOMS VALUATION  
CUSTOM HOUSE KARACHI

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

**DETERMINATION OF CUSTOMS VALUES OF FREQUENCY INVERTERS  
UNDER PCT HEADING (8504.4090) UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969**

**(VALUATION RULING NO. 1429 / 2019)**

No. Misc/09/2015-VII/ 2641

Dated: 26<sup>th</sup> November, 2019

In exercise of the powers conferred under Section 25-A of the Customs Act, 1969, the Customs values of Frequency Inverters PCT (8504.4090) are determined as follows: -

2. **Background of the valuation issue:** Customs values of Frequency Inverters were earlier determined through Valuation Ruling No. 973/2016 dated 22-11-2016. A number of representations were received in this Directorate General that the frequency inverters were being declared with various technical and fabricated names so as to avoid application of the Valuation Ruling. Moreover, the Valuation Rulings, being three years old and the values of subject goods in international market have shown varying trend, required re-determination. Keeping in view the above facts, an exercise was initiated to re-determine the customs values of the subject goods under section 25A of the Customs Act 1969.

3. **Stakeholders' participation in determination of values:** Meetings with stakeholders were convened on 31-10-2019, 12-11-2019 and 19-11-2019 which was attended by different stakeholders and importers. The participants were requested to submit following documents before or during the course of meeting so that customs values could be determined: -

- i. Invoices of imports during last three months showing customs value.
  - ii. Websites, names and E-mail addresses of known foreign manufacturers of the item in question through which the actual current value can be ascertained.
  - iii. Copies of Contracts made / LCs opened during the last three months showing the value of item in question.
  - iv. Copies of Sales Tax Invoices issued during the last four months showing the difference in price (excluding duty and taxes) to substantiate their contentions.
4. The representatives of M/s M.D. Enterprises, M/s. Dominar Engineering, M/s. ABB Power and Automation Private Limited, M/s. Ameerjee Vallejee & Sons explained that Variable Frequency Drive (VFD) / Frequency Converter is a device which is used to control the speed of an electrical machine by varying the frequency and voltage apply to the machine in a certain proportion. Both the frequency and voltage are changed to regulate torque, speed and other parameters of machine. VFD is specifically used for control of a rotating machine such as induction motor, synchronous motor,

BLDC motor, etc. and is also called adjustable speed drives, adjustable frequency drive, AC Drive, Micro Drive and a controlled inverter. This was also contended by said participants that the subject goods are declared under different fake / false names to avoid application of Valuation Ruling; that there was no concept of frequency inverters with or without battery; and kilowatts ratings are also not up to the mark. It was accordingly requested to revise the Valuation Ruling keeping in view aforesaid facts.

**5. Method adopted to determine Customs values:** Custom Valuation methods given in Section 25 of the Customs Act, 1969 were applied in sequential order 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 requisite information under the law was not available. Moreover, no participant provided sufficient document in this regard. 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 variation and suppressed declarations, the same could not be relied upon. In the sequential order this office then resorted to conduct a market inquiry. The inquiry of different brands, KW and specifications was conducted from different markets in Karachi. Consequently, Deductive Value Method under Sub-Section (7) of Section 25 of the Customs Act, 1969, was applied to arrive at the assessable Customs values of the subject goods, being most appropriate for the purpose. All the information together was evaluated and analyzed for the purpose of determination of customs values.

**6. Customs values for Frequency Inverters PCT (8504.4090):** Frequency Inverters PCT (8504.4090) *hereinafter specified* shall be assessed to duty/ taxes on the Customs values given against them in the Table below: -

Sr. #	Description of Goods	H.S Code	Proposed PCT for WeBOC	Origin	Custom Value US\$ (C&F) / KW
(1)	(2)	(3)	(4)	(5)	(6)
1.	Frequency Inverters 0.1 KW to 2.2 KW	8504.4090	8504.4090.1000	China	46
			8504.4090.1100	USA / Europe / Japan	67
			8504.4090.1200	Others	60
2.	Frequency Inverters 2.3 KW to 5.5 KW		8504.4090.1300	China	40
			8504.4090.1400	USA / Europe / Japan	58
			8504.4090.1500	Others	52
3.	Frequency Inverters 5.6 KW to 7.5 KW		8504.4090.1600	China	38
			8504.4090.1700	USA / Europe / Japan	55
			8504.4090.1800	Others	50
4.	Frequency Inverters 7.6 KW to 30 KW		8504.4090.1900	China	34
		8504.4090.2000	USA / Europe / Japan	50	
		8504.4090.2100	Others	45	
5.	Frequency Inverters 30.1 KW to 75 KW	8504.4090.2200	China	27	
		8504.4090.2300	USA / Europe / Japan	39	
		8504.4090.2400	Others	36	

