

The Collectors of Customs, Model Customs Collectorates, Appraisalment and Facilitation (East / West)/ Port Qasim / Enforcement and Compliance, JIAP, Karachi / (Appraisalment and Facilitation/Enforcement and Compliance), MCC Lahore/ Sambrial (Sialkot) / Faisalabad / Multan / Islamabad /Hyderabad/ Quetta (Appraisalment and Facilitation Enforcement and Compliance Peshawar/ Gwadar/ Gilgit-Baltistan/ Exports (Karachi/Port Qasim)/.

DETERMINATION OF CUSTOMS VALUES OF IRON AND STEEL SCRAP
(REMELTABLE /HMS SCRAP/ SHREDDED SCRAP / RE-ROLLABLE SCRAP &
COMPRESSOR SCRAP UNDER SECTION 25-A OF THE CUSTOMS ACT, 1969

(VALUATION RULING NO. 1455 / 2020)

No. Misc/03/2012-VI/4027.

Dated: 03-07-2020



In exercise of the powers conferred under section 25-A of the Customs Act, 1969, Customs Values of Iron and Steel Scrap (Remeltable /HMS Scrap/ Shredded Scrap / Re-Rollable Scrap) & Compressor Scrap are determined as follows:

2. **Background of the valuation issue:** The Model Collectorate of Customs Appraisalment (PMBQ) Karachi issued VR dated 27-10-2018 for metal scrap of various types under section 25-A of the Customs Act, 1969. Vide Finance Act 2019, an amendment was made in section 25-A ibid whereby the powers to determine Valuation Rulings were withdrawn from the Collectors. Consequently, Collector MCC Appraisalment (PMBQ) Karachi, referred the matter of fixation / determination of values of the said items to this Directorate General. The Pakistan Iron & Steel Melters Association then approached this Directorate General with a number of representations contenting therein that values of subject items have considerably declined in international market and that the Ruling be revised accordingly. The Association also approached the Honourable High Court of Sindh vide C.P No. D-5777 of 2019 on the plea that validity period of 90 days has lapsed since the issuance of last VR issued but the Customs Authorities are charging the duty and taxes on same old values. The Honourable Court vide Order dated 24-02-2020 directed to pass an appropriate order at an early date, preferably, within a period of four weeks from the date of receipt of the order. Therefore, an exercise was initiated to determine customs values of the subject goods under section 25-A of the Customs Act, 1969.

3. **Stakeholders' participation in determination of Customs values:** Meetings with stakeholders, including the importers and the representatives from The Pakistan Iron & Steel Melters Association and field formations were held on 30-12-2019 and 20-2-2020 in this Directorate General to discuss the issue of valuation of the subject goods. The stakeholders were also requested to furnish the following documents before or during the course of above said meetings:

- i. Invoices of imports during last three months showing factual 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 last four months showing the difference in price (excluding duty and taxes) to substantiate their contentions.

4. Most of the participants of the meeting contended that as the values of scrap of iron and steel including finished products have declined all over the world, as depicted in London Metal Bulletin (LMB), therefore, values of scrap of iron and steel, being raw material, should also be reduced proportionally as this will help Re-Rolling mills to produce finished goods at low prices for the local markets. Copies of the LMB prices during the period and contracts were also provided by the participants to substantiate their claims.

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 of Iron and Steel Scrap (Remeltable /HMS Scrap/ Shredded Scrap / Re-Rollable Scrap & Compressor Scrap. Transaction value method under Sub-Section (1) of Section 25 was found inapplicable because requisite information under the law was not provided by the importers. 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 in the quality of scrap, the same could not be relied upon. In the sequential order, this office then resorted to conduct a market inquiry in terms of Sub-Section (7) of Section 25 of the Customs Act, 1969 but again due to the variety, quality & other aspects of the scarp of iron and steel, the same could not be relied upon. As a result, sub-section (9) of Section 25 of the Customs Act, 1969 was applied to arrive at the assessable Customs values.

6. **Customs values herein after specified** shall be assessed to duty/taxes at the following minimum Customs Values:

S. No.	Item Description	PCT	Proposed PCT For WeBOC	Origin	Customs Values (C&F) (Per MT)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Iron & Steel Remeltable Scrap Shredded Scrap, HMS Scrap, Press Bundle Scrap etc.	7204.4100	7204.4100.1000	All Origins	US \$ 301/ MT
		7204.4990	7204.4990.1000		
2.	Iron & Steel Re-Rollable Scrap	7204.4910	7204.4910.1000	All Origins	US \$ 400/ MT
3.	Compressor Scrap	7204.4940	7204.4940.1000	All Origins	US \$ 580/ MT

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 in this Ruling.

