

**The Collectors of Customs**, Collectorates of Customs (Appraisalment – West) / Appraisalment – East/ Appraisalment – Port Muhammad Bin Qasim/ Enforcement/JIAP), Karachi / Hyderabad/ (Appraisalment/Enforcement), Quetta/Gawadar/ (Appraisalment/Enforcement/AIIA), Lahore/ Appraisalment, Faisalabad/ Appraisalment, Sambrial (Sialkot)/ Enforcement, Multan / Islamabad / Gilgit-Baltistan / (Appraisalment/Enforcement), Peshawar/ Enforcement, Dera Ismail Khan/ Exports (Port Qasim/Custom House, Karachi)/ Transit Trade, Karachi.

**DETERMINATION OF CUSTOMS VALUES OF SECONDARY QUALITY FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, GALVANIZED PLAIN (GP), UNDER SECTION 25A OF THE CUSTOMS ACT, 1969,**

(VALUATION RULING NO. 1720 / 2022)

File No. Misc/32/2007-VI/1336

Dated: 21-12-2022

In exercise of the powers conferred under Section 25A of the Customs Act, 1969, the Customs value of Secondary Quality Flat-Rolled Products of Iron or Non-Alloy Steel, Galvanized Plain (GP) is determined as follows:

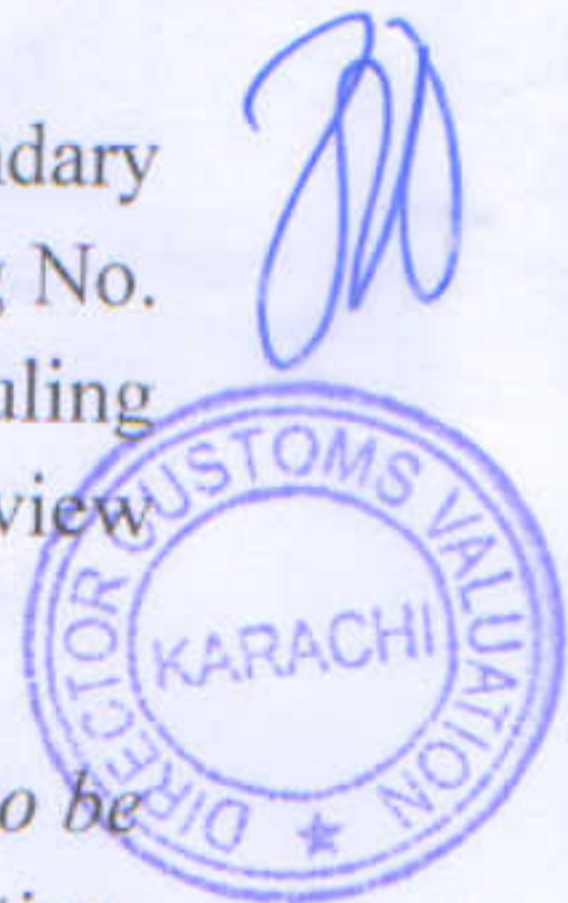
2. **Background of the valuation issue:** Earlier, the Customs value of GP (Secondary quality) was determined under Section 25A of the Customs Act, 1969 vide Valuation Ruling No. 1667/2022 dated 24-06-2022. Review Petitions were filed against the said Valuation Ruling before the Director General of Customs Valuation who – while deciding the impugned review petitions – observed / directed as under:

*“However, the rate of discount given on account of secondary quality does not seem to be reasonable and needs re-consideration. Therefore, the Director of Customs Valuation, Karachi is directed to revisit the issue of discount in association with all relevant stakeholders. This exercise is to be completed within 30 days.”*

Accordingly, an exercise was initiated by this Directorate to re-determine customs values of GP (Secondary quality) under Section 25A of the Customs Act, 1969.

3. **Stakeholders’ participation in determination of Customs values:** Meetings were convened on 10.11.2022 and 22.11.2022 which were attended by all the relevant stakeholders. The issues pertaining to the valuation of subject goods were deliberated upon in detail in the afore-referred meetings.

4. **Analysis / Exercise done to determine Customs Values:** The discount on the secondary quality, from prime quality of the Galvanized Steel (GP), has been changing except certain phase



when it remained constant. In order to understand the discount phenomenon on secondary quality GP, for instance, the discounts rates given in the Valuation Rulings issued in the past are tabulated below.

S.No.	Valuation Ruling No & Dated	Discount on account of secondary quality difference
1	717/2015 dated 11.02.2015	15%
2	1213/2017 dated 27.09.2017	15% (for listed countries in LMB) 16% (for non-listed countries in LMB)
3	1667/2022 dated 24.06.2022	28%

In the past, different institutions / bodies have provided the criteria/ input for determining the discount given to secondary quality HRC/CRC/GP from the prime quality of the said products. For instance, Pakistan Steel submitted formula, based on fixing of secondary grade material price at discount of 7% for HRC & CRC and 10% for GP of prime products. From the perusal of the previous records pertaining to the impugned item, it transpires that the Directorate also sought input of Collectorates of Appraisal, East / West and Port Qasim, who were of considered view that discount given @ 15%, in Valuation Ruling No.717/2015, is justified and it needs to be continued. The stand point of M/s Siddiq Sons Tin Plate Limited, M/s International Steel Limited and Aisha Steel Mills Limited also endorsed the discount given in Valuation Ruling No.717/2015 as justified and all the stakeholders were satisfied with the discount in vogue since last seven years.

**5. Method (s) adopted to determine Customs values:** All the stakeholders were given adequate and sufficient opportunities of hearing during the meetings with the stakeholders. Valuation methods provided in Section 25 of the Act were duly followed and applied sequentially to address the valuation issue at hand. Transaction value method provided in sub-section (1) of Section 25 was found inapplicable because sufficient reason with respect to discount given under the Valuation Ruling No. 1667/2022 dated 24-06-2022 was not available and, hence, the requisite information required under the law was not available to arrive at the correct / transaction value. Identical goods method, provided in sub-section (5) of Section 25, was examined and considered to determine customs value of subject goods. However, it was found that the same cannot be solely relied upon as the discount given (from prime quality to secondary quality) was not empirically proven. The "Similar Goods Method" provided in sub-section (6) of Section 25 of the Act was then considered for application; however, the same was found inapplicable owing to the afore-stated reason. In line with the statutory sequential order of Section 25, the market inquiry using Deductive Value Method under Sub-Section (7) of Section 25 of the Act was not found relevant because the prices available in the market were of the freshly given discount which is not in line with any national / international formula and also against the established practice whereby discount @ 15% is conventionally given. Valuation method, provided vide Section 25 (8) of the Act, could not be applied as the precise conversion

cost for constituent materials and allied expenses, at countries of export were are not available. Keeping all the factors in view and after carefully analyzing all the available information from different sources, conventional discount from prime quality to secondary quality, well established practice and read with proviso to Section 25A (1), the customs value of the subject item is determined under Section 25(9), of the Customs Act, 1969.

6. **Customs value for Secondary Quality Flat-Rolled Products of Iron or Non-Alloy Steel, Galvanized Plain (GP) hereinafter specified** shall be assessed to duty / taxes at the following Customs Value:

S. No.	Description of goods	PCT	Proposed PCT for WEBOC	Origin	Customs Values (C&F) US\$/Kg
(1)	(2)	(3)	(4)	(5)	(6)
01	Secondary Quality Flat-Rolled Products of Iron or Non-Alloy Steel, Galvanized Plain (GP)	7210.4910	7210.4910.1000	All origins	LMB prices of GP prime quality of respective origins; Less 15% (on account of secondary quality difference) and add actual freight.

**Note: LMB price may be taken from the L/C date or B/L date.**

7. In cases, where declared 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 officers shall take into account the difference between air freight and sea freight while applying the Customs values in this Ruling.

8. **Validity of this Valuation Ruling:** This Ruling, containing the Customs values for assessment of subject imported goods, shall be applicable until and unless the same are rescinded or revised by the competent authority in terms of sub-section (4) of Section 25A of the Customs Act, 1969.

9. **Revision of the values determined vide this Valuation Ruling:** If aggrieved, a revision petition may be filed against this ruling as provided under Section 25D of the Customs Act, 1969, within 30 days from the date of its issuance, before the Director General, Directorate General of Customs Valuation, 7<sup>th</sup> Floor, Custom House, Karachi.

10. The Collectors of Customs may kindly ensure that the values given in the Valuation Ruling, for the given description of goods, are applied by the concerning assessing officers / officials without fail. Any anomaly observed may kindly be brought to the notice of this Directorate immediately. The Customs values determined in the ruling are for the descriptions

and specifications as mentioned in Para-6 of this Ruling. HS Codes are mentioned for illustrative purposes so that Valuation Ruling is made accessible to the assessing officers. The assessments shall be finalized on the basis of correct classifications after fulfilling all formalities related to importability or other certifications required thereon.

11. *This Ruling superseded Valuation Ruling No. 1667/2022 dated 24.06.2022.*

  
(Fayaz Rasool Maken)  
Director

Copy for information to:

1. The Member Customs (Operations), Federal Board of Revenue, Islamabad.
2. The Director General, Customs Valuation, Custom House, Karachi.
3. The Chief Collector of Customs, Appraisement (South), Custom House, Karachi.
4. The Chief Collector of Customs, Enforcement (South), Custom House, Karachi.
5. The Chief Collector of Customs, Appraisement (Central), Custom House, Lahore.
6. The Chief Collector of Customs, Enforcement (Central), Custom House, Lahore.
7. The Chief Collector of Customs (North), Custom House, Islamabad.
8. The Chief Collector of Customs, Baluchistan, Custom House, Quetta.
9. The Chief Collector of Customs, Khyber Pakhtunkhwa, Custom House, Peshawar.
10. The Director General, Intelligence and Investigation (Customs) FBR, Islamabad.
11. The Director General, PCA & Internal Audit, Karachi.
12. The Director General, IOCO, Karachi.
13. The Directors, Intelligence & Investigation, Karachi / Lahore / Islamabad/ Quetta/ Peshawar/ Faisalabad.
14. The Director, Transit Trade, Custom House, Karachi.
15. The Director, Directorate of Customs Valuation, Lahore/Quetta/Peshawar.
16. The Deputy Director (HQ), Directorate General of Customs Valuation, Karachi, for uploading in One Customs & WeBOC Database System.
17. The Chairman (Valuation Committee), FPCC&I, Federation House, Clifton, Karachi.
18. The Chambers of Commerce & Industry, Karachi, Lahore, Islamabad, Hyderabad, Quetta & Peshawar.
19. The Karachi Customs Agents Association, Bohri Road, Karachi.
20. The Webmaster, Federal Board of Revenue, Islamabad.
21. Guard File.