

**GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
CENTRAL BOARD OF REVENUE**

Islamabad, the 18th June, 2001

**NOTIFICATION
(CUSTOMS)**

S.R.O. 450(I)/2001.-¹[In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 50 of the Sales Tax Act, 1990, section 40 of the Federal Excise Act, 2005 and section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to make the following rules, namely:-]

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**CHAPTER IX
VALUATION**

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**SUB-CHAPTER-IV
SECONDARY METHODS OF VALUATION**

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122. Adjustment of value.-(1) For adjustment of value there shall be two factors involved in the apportionment of the elements as specified in clause (c) of sub-section (2) of section 25 of the Act to the imported goods, namely:-

- (i) The value of the element itself, and
 - (ii) The way in which that value is to be apportioned to the imported goods. The apportionment of these elements shall be made in a reasonable manner appropriate to the circumstances and in accordance with generally accepted accounting principles.
- (2) The value of the elements shall be adjusted as follows, namely:-
- (i) If the importer acquired the element from a seller not related to him at a given cost, the value of the element is that cost;
 - (ii) If the element was produced by the importer or by a person related to him, its value shall be the cost of producing it; and
 - (iii) If the element had been previously used by the importer, regardless of whether it had been acquired or produced by such importer, the original cost of acquisition or production would have to be adjusted downward to select its use in order to arrive at the value of the element.
- (3) Once a value has been determined for the element, it shall be apportioned to the value of the imported goods, as follows, namely:-
- (i) The value might be apportioned to the first shipment if the importer wishes to pay duty on the entire value at one time;
 - (ii) The importer may request that the value be apportioned over the number of units produced up to the time of the first shipment; or

¹ Existing preamble substituted and shall be deemed always to have been so substituted vide SRO 831(I)/2018 dated 2nd July, 2018. At the time of substitution was as under:-
“In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), the Central Board of Revenue is pleased to make the following rules, namely:--”

- (iii) The importer may request that the value be apportioned over the entire anticipated production where contract or firm commitments exist for that production.

Explanation.-If an importer provides the producer with a mould to be used in the production of the imported goods and contracts with him to buy ten thousand units. By the time of arrival of the first shipment of one thousand units, the producer has already produced four thousand units. The importer may request the appropriate officer to apportion the value of the mould over one thousand units, four thousand units or ten thousand units.

(4) Addition for the elements specified in sub-clause (iv) of clause (c) of sub-section (2) of section 25 of the Act shall be based on objective and quantifiable data. In order to minimize the burden for both the importer and appropriate officer in determining the values to be added, data readily available in the buyer's commercial record should be used in so far as possible.

(5) For those elements supplied by the buyer which were purchased or leased by the buyer, the addition shall be made for the cost of the purchase or the lease. No addition shall be made for those elements available in the public domain, other than the cost of obtaining copies of them.

(6) Payments made by the importer for the right to distribute or resell the imported goods shall not be added to the price actually paid or payable for the imported goods if such payments are not a condition of the sale for export of the goods to Pakistan.

(7) Where objective and quantifiable data do not exist with regard to the additions required to be made under clauses (b), (c), (d) and (e) of sub-section (2) of section 25 of the Act the transaction value cannot be determined under the provisions of sub-section (1) of section 25. As an illustration of this, a royalty is paid on the basis of the price in a sale in Pakistan of a litre of a particular product that was imported by weight in kilograms and made up into a solution after importation. If the royalty is based partially on the imported goods and partially on other factors which have nothing to do with the imported goods, (such as when the imported goods are mixed with domestic ingredients and are no longer separately identifiable, or when the royalty cannot be distinguished from special financial arrangements between the buyer and the seller), it would be inappropriate to attempt to make an addition for the royalty. However, if the amount of this royalty is based only on the imported goods and can be readily quantified, an addition to the price actually paid or payable can be made.