

OFFICE OF THE COMMISSIONER OF CUSTOMS (IMPORT)

JAWAHAR CUSTOM HOUSE, NHAVA SHEVA

DIST. RAIGAD, MAHARASHTRA

F. No. S/26-Misc-83/04

VI
Date:

13.08.08

STANDING ORDER NO. 36 / 2008

Sub: Valuation Guideline - valuation of imported Unbranded Furniture reg.

Background

In the Tariff Conference of Chief Commissioners held on 16.06.06 it was decided that the standing orders issued by various Custom Houses need to be renewed by the DG/Valuation based on information and data received from the respective Chief Commissioners for issued of suitable valuation guidelines for all India application by all Custom Houses uniformly. Accordingly, the Directorate General of Valuation (DGOV) has studied valuation practices of imported furniture (CTH 9403) for review.

Present Practice

2. The Commissioner of Customs (Import), JNCH, Nhava Sheva, had mentioned about cut off prices for various types of furniture. From the letter it is understood

that benchmark prices of Rs.35 per kg. are being applied for the valuation of unbranded furniture from China and Rs.45 per kg. for unbranded furniture from countries other than China viz. Malaysia/Thailand/Singapore. At Chennai Custom House, the practice of assessment of imported Chinese furniture is also similar to the extent of taking Rs35-40/kg but ensuring that the value of consignment does not fall below Rs 4 lakhs per container of 40 ft and Rs 2.5 lakhs per container of 20 ft . At ICD Tughlakabad & Patparganj , the practice of assessment of imported furniture is to follow minimum benchmark price of USD 10,000 for container of 40 ft having approx weight of 14-15MTs. At Kolkata Custom House, the practice of assessment of imported Chinese furniture is to follow duty leviability of Rs 1.0 to 1.2 lakhs for a container of 40 ft. To bring uniform practice of valuation assessment in all Customs formations, the DGOV has conducted a study of import of furniture and the findings as in **Valuation Guideline No. 2/2008 dt.20/06/2008** issued by them, are given below.

Findings of DGOV Study

3. The DGOV has analyzed the valuation trend of imported furniture on the basis of NIDB data and carried out the data analysis . The DGOV, Mumbai along with JNCH Officers and DGOV Zonal offices have conducted market survey and the findings are as below :-

i) The declared value of imports from China and South East Asia are significantly lower than the declared values of imports from European countries (Italy, France etc.),

ii) The declared values of unbranded furniture are found to be significantly lower than the declared values of branded furniture; the prices of established brands are higher than the lesser known ones.

iii) It is difficult to make comparison of prices as the furniture imported are mostly of wide varieties and varied specifications.

iv) Furniture prices have a broad relation to the material from which they are made of and within the same material (e.g. wooden furniture of solid wood and MDF), the quality and design affect the price substantially

- v) ♦♦♦♦♦♦♦♦ The prices also depend on the purpose for which the furniture is intended.

Rev val guideline 180608final.doc ♦♦♦♦- 5 -Attention: (e.g. office, Household , Assembly hall etc.,)

♦♦♦♦♦ vi) There are also furniture of composite materials and made to order furniture for which the design and craftsmanship command a high premium.

4. ♦♦♦♦♦♦♦♦ On the basis of the study, DGOV has tried to identify some of the broad categories of imported furniture and the details are set out below ♦

- i) ♦♦♦♦♦♦♦♦ Office Furniture like Seating, Desking, OPOS (Open Plan Office System) & Storage.
- ii) ♦♦♦♦♦♦♦♦ Home Furniture like Bed Room, Living Room, Dining Room, Kitchen, Study Room & Kids Room.
- iii) ♦♦♦♦♦♦♦♦ Furniture of Special Solutions like Marine Solutions.
- iv) ♦♦♦♦♦♦♦♦ Laboratory Furniture.♦

♦♦♦♦♦

5. ♦♦♦♦♦♦♦♦ The major anomaly in the present Valuation practices is that irrespective of

the design, quality, brand, finish, ornamentation, specification or usage or material composition of the furniture, the valuation is mainly on weight basis.♦ This leads to a situation where high end products made of solid wood or other expensive materials and those exquisitely or ergonomically designed are being valued and are placed on the same footing with coarse and ordinary fragile furniture made of pressed wood or MDF. The trade also appears to have accepted this system as reflected in the manner of invoicing.

6. Material composition: The value of furniture changes based on the material used in it. The furniture may be of wood, metal, plastic, glass, leather etc. It could be a combination of one or more of these materials also. ♦ Apart from the core material used stated above, it could also have add on covering material such as glass (e.g. on dining table), leather (e.g. leather sofa set), textile material (e.g. sofa upholstery) etc. In fact the furniture in CTH 9403 is divided on the material composition as follows:



- a. ♦9403 10 to 9403 20 ♦ Metal furniture
- b. ♦9403 30 to 9403 60-Wooden furniture
- c. ♦9403 70- Furniture of Plastics
- d. ♦9403 81 ♦ Furniture of Bamboo or Rattan
- e. ♦9403 89 ♦ Furniture of other materials including cane, osier or similar materials.

Hence the material used makes a heavy impact on the value of imported furniture. ♦ It is well known fact that the weight of metal furniture is more than the weight of plastic furniture. However some of the furniture articles made of plastic may have higher retail price than the price of comparable article made from iron or steel. Even teak wood furniture will be costlier than metallic furniture of comparable weight. Similarly furniture made of teak from Ghana or Nigeria will be much cheaper than the Burma teak wood furniture. Thus the present practice of valuing imported furniture by taking a uniform price per KG lacks objectivity as it is being applied to all kinds of furniture irrespective of the composition of the material used.

7. Usage of Furniture: The value of imported furniture also very much depends on the usage of furniture. The types of furniture identified on the basis of usage are (i) Office Furniture (ii) Home Furniture and (iii) Special Solutions. In each category, there are wide variations such as in bedroom set, living room set etc. in respect of home furniture. In office furniture there will be multiple designs of chairs, seats and lounge furniture depending where it is to be used viz. public place, training room or multipurpose office space. Again in deskings, the desks may be for conference, office canteen or classroom etc. Open Plan Office System (OPOS) can be differentiated as desk, tile or panel based. Similarly, a range of storage furniture is available. There are special category furnitures also meant for marine solution or laboratories. ♦♦♦♦

8. Comparative Weight-Value Study: The DGOV has also compared the market survey result with the valuation practice of imported furniture. In most cases the market prices had no relation to the assessed values. For example, unbranded dining tables imported from China made of solid wood were being assessed at Rs 35/- per kg. The assessable value worked out by the deductive value method (Rule 7 of CVR 07) was much higher than the actual assessed value. This goes to prove that there is a real necessity to categorise the products before valuation and assessment.

Suggested Valuation Approach

9. It is clear that the price of furniture depends on various factors such as material composition, design, usage, etc., It is therefore important to gather information concerning full details of the type of furniture by carefully scrutinizing the documents. In many cases there are different varieties and models in the same consignment which require detailed declarations of each category. Therefore identifying the type of furniture through documents, declaration and examination are prerequisites to check the declared value. It may be ensured that the importer declares these specific details. It is also suggested that the examination staff may be instructed to verify these details.

10. Another important aspect is the identification of branded furniture and designer furniture which are of high value. In these cases careful scrutiny of contracts/ purchase orders and market verification would be desirable. While valuing

each furniture items, care should be taken to capture the full details in the EDI System so that the basis of such valuation will be available in the NIDB for guidance to other Custom Stations.

11. Scrutiny of price declaration: The declared value of branded furniture may be compared with the price mentioned in the price lists of reputed manufacturers of branded furniture. Manufacturer's invoice may be called for checked for imports from other sources. In case of unbranded furniture, market survey may be conducted to ascertain the local selling price. It is advised that such market surveys may be conducted at least once in three months. In the absence of reliable prices of contemporaneous imports, the

declared value may be compared with values arrived at from local market price by working backwards as per the deductive Value Method of Rule 7 of CVR 07.

12. Based on the market survey the price range and, minimum cut off price of certain commonly imported items was worked out by the DGOV to the extent of 50% of the market price. The detailed Calculation for allowing the various deductions of cost was also indicated in the DGOV Guidelines (Para 11 of DGOV Guidelines).

13. The various cost elements for arriving at the Minimum Assessable Value for furniture items imported for Mumbai market, were considered in consultation with DGOV and representatives of major importers at JNCH. It was concluded after analysis of relevant data that the following details and cost elements need to be taken in account for the local conditions :

Selling price
100/-

Sales tax 12.5% selling price : Rs. 11.11

Inclusive in Selling Price
88.89 (a)

Octroi 7% on Selling price : Rs. 6.54

Inclusive in Selling Price
82.35 (b)

Retailer's MOP 15% :
Rs 12.35

69.99... (c)

10% wholesaler's MOP : Rs. 6.99

63.00.. (d)

15% misc expenses :
Rs. 9.45

53.55.. (e)

Duty 31.70% :
Rs. 12.68

40.66 (rounded off to 40)

The major difference in cost elements compared to DGOV Guidelines is addition of 12 % towards Miscellaneous expenses which represent transportation, storage and other services. The retailer's margin was also enhanced from 10% to 15%. Accordingly, **the Minimum assessable value has been arrived at 40% of the retail sale price. It is again emphasized that it is the minimum assessable value for cases when the declared value is not found acceptable and no other valuation method is applicable.**

15. Accordingly, the minimum cut off, prices of certain commonly imported items

based on the DGOV Guidelines is as under. These prices are for the bare minimum furniture without embellishments.

10.	Sofa set	Composite leather (Metal or wood)	100- 200	20000-48000
11.	Leather Sofa hot (3+1+1)	Finished natural Leather	75- 150	60000=100000
12.	Sofa L- shaped	PU Fabric	100- 150	10000-16000
13.	Kids Furniture (Bunk Bed Study table ,chairs and wardrobe)	MDF	100- 200	30000-50000
14	Executive high back chair	MS + rubber	15-25	3000-6000
15	Office Table	MDF/ PB	10- 1250	1500-25000



16. Where the reference table does not have reference of the type of goods imported along with corresponding Retail sale price, then the assessment of Minimum Assessable Value will be done on the basis of the retail sale price, wherever made available by the importer, duly backed by the documentation, on 40 % of the Retail sale price. These calculations will be reviewed from time to time taking into account the local market conditions.

17. If importer fails to give the retail sale price, duly backed by the documentation, then assessment will be made on the basis of the reference table covering the items in nearest resemblance of description/category.

18. For Customs to reach a fair valuation, importer/CHA shall provide :



- a) Detailed description of goods in Bill of Entry along with material of manufacture.
- b) Approximate weight per piece/set.

c) Retail Sale price of the product in Bill of Entry/submissions duly backed by the documentation.

d) Any other documentation to support his claim.

19. For uniform application of these instructions to ensure similar practices to be followed in all formations for assessment, it shall be necessary to have-

- Weighment of all containers of imported furniture of importers not having

organized retail chain shall be done &

- Random weighment of containers of imported furniture of importers having organized retail chain ,

To avoid misdeclaration of weight, as assessment on the basis of these instructions, is based on weight and Market Retail Price of the imported furniture.

20. These guidelines may be followed with immediate effect.

Sd/-

