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राजस्व विभाग / Department of Revenue  
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**PUBLIC NOTICE NO. 31 /2016**

**Sub: Customs - Valuation of second hand machinery in Custom House, Tuticorin - Reg.**

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Attention of all Importers, Exporters, Customs Brokers and other members of the Trade is invited to earlier Facility Intimation No. 01/2015 dated 12.06.2015 issued by this Commissionerate regarding empanelment of Chartered Engineers for valuation of Second hand Machinery / goods etc.,

2. Consequent on issue of Circular No. 25/2015 dated 15-10-2015 (F. No. 467/34/ 2006-Cus.V) by the Central Board of Excise and Customs, which is available on website [www.cbec.gov.in](http://www.cbec.gov.in), the guidelines for valuation of import of second hand machinery stands revised in supersession of earlier Circular viz., Circular No. 4/ 2008-Cus dated 12th February 2008 on the subject issue. After due consideration of the suggestions and concerns put forth, the Board has decided to issue the following guidelines for valuation of imports of second hand machinery:

3. Where used second hand machinery is sold for export to India and the sale meets all of the requirements set out in Customs Valuation (Determination of Value of Imported Goods) Rules 2007 (in short CVR, 2007) the price paid or payable for the goods is to be used as the basis for determining the assessable value.

4. However, it is frequently the case that as part of an arrangement, subsequent to the sale, the second hand machineries are reconditioned, refurbished, modernized, or otherwise improved prior to their importation into India. In such situations, there is a change in the condition of the goods brought prior to their importation. Similarly, other costs such as pre-shipment inspection, dismantling and crating charges may be incurred by the buyer after the sale of the goods. Costs of all such elements need to be determined for the purpose of arriving at the value under section 14 of the Customs Act 1962. Thus, there may be instances where

the requirements of Rule 3 of CVR 2007 are not met, in which case, the value for imposition of duty must be determined under one of the subsequent methods of valuation applied in sequential order.

5. In view of the nature of goods, there may be certain difficulties in applying Rule 4 or Rule 5 of the CVR, 2007. These difficulties arise from the fact that the goods being valued are used second hand machinery, and it may be difficult to find data relating to sales of such goods to India, which could be considered identical or similar and meet all the requirements of Rule 4 and 5 of the CVR, 2007

6. Similarly, application of Rule 7 of CVR, 2007 where under goods being appraised are valued on the basis of subsequent sales of identical or similar goods in India, may also not be possible because the goods being appraised are imported for use rather than for resale. The difficulty of finding such sales of goods which could be considered identical or similar to the goods being appraised, may preclude the application of this method.

7. Under Rule 8 of the CVR, 2007, goods are valued using the computed value method which is based, among other things on the cost of production of the goods being appraised plus an amount for profit and general expenses. However, since used capital goods are not manufactured as such, viz., as old and used machinery, it is not possible to calculate assessable value based upon the cost of production.

8. It follows that in cases where used capital goods cannot be appraised under Rule 3, and where there may be difficulty in applying Rules 4 to 8 of CVR, 2007, the proper officer may be required to apply the residual method under Rule 9 of CVR 2007 so as to factor condition, depreciation, refurbishment, charges of disassembly & packing and any expenses incurred by way of pre-shipment inspection agency charges etc.,

9. Given the nature of challenges in computing the value of second hand machinery under Rule 9 of CVR 2007 and the need to ensure that the approach applied reflects commercial reality and results in a value which is fair, and is arrived through uniform processes by all custom houses, it is felt that it is necessary to obtain inspection / appraisal reports from qualified neutral parties.

10. For this purpose, the Board has decided that Inspection / Appraisal Reports issued by Chartered Engineers, or their equivalent, based in the country of sale of the second hand machinery shall be accepted by all Custom Houses. For the purposes of uniformity, the format in which inspection/ appraisal reports shall be prepared by the Chartered Engineer is annexed to the circular dated 15-10-2015. In the event that an importer does not produce an

inspection/ appraisal report in the prescribed format from the country of sale, he shall be free to engage the services of inspection agencies notified as per HBoP 2015-20.

11. In Tuticorin, M/ s. Valueguru Chartered Engineers and Valuers P Ltd, 35D, First floor, 2<sup>nd</sup> Street, Muniyasampuram, Sivanthakulam, Opp. To Kamaraj College Main Gate, Tuticorin – 628 003 and M/s TSK Engineers P Ltd, Ebanazer mansion, 97-G/1-J, Palai road west, Tuticorin – 628 008 are the agencies notified as per HBoP 2015-20 at the port of import viz., Tuticorin. The importers/Customs Brokers may contact them for issue of Inspection / Appraisal Reports.

12. To sum up, the following guidelines shall be followed:

a). All imports of second hand machinery / used capital goods shall be ordinarily accompanied by an inspection / appraisal report issued by an overseas Chartered Engineer or equivalent, prepared upon examination of the goods at the place of sale.

b) The report of the chartered engineer or equivalent should be as per the Form A annexed to the circular.

c) In the event of the importer failing to procure an overseas report of inspection / appraisal of the goods, he may have the goods inspected by M/ s. Valueguru Chartered Engineers and Valuers P Ltd, 35d, First floor, 2<sup>nd</sup> Street, Muniyasampuram, Sivanthakulam, Opp. To Kamaraj College Main Gate, Tuticorin – 628 003 or by M/s TSK Engineers P Ltd, Ebanazer mansion, 97-G/1-J, Palai road west, Tuticorin – 628 008 as notified by the DGFT under Appendix 2G of the HBoP 2015- 20 and Aayat Niryat Forms to FTP 2015-20, as amended from time to time (para 2.59 of Handbook of Procedures 2015-20 refers).

d) In cases where the report is to be prepared by the agencies in India notified by DGFT the same shall be in the Form-B annexed to the circular.

e) The value declared by the importer shall be examined with respect to the report of the Chartered Engineer. Similarly, the declared value shall be examined with respect to the depreciated value of the goods determined in terms of the circular No. 493/124/86-Cus VI dated 19/11/1987 and dated 4/1/1988. If such comparison does not create any doubt regarding the declared value of the goods, the same may be appraised under rule 3 of the CVR, 2007. If there are significant differences arising from such comparison, Rule 12 of the CVR, 2007 require that the proper officer shall seek an explanation from the importer justifying the declared value. The proper officer may then evaluate the evidence put forth by the importer and after giving due consideration to factors such as depreciation, refurbishment or reconditioning (if any), and condition of the goods, determine whether the

declared transaction value conforms to Rule 3 of CVR, 2007. Otherwise, the proper officer may proceed to determine the value of the goods, sequentially, in terms of rule 4 to 9.

13. The above guidelines are brought to the notice of all Importers, Exporters, Customs Brokers and other members of the Trade for information and compliance with immediate effect.

14. Difficulty faced in this regard, if any, may be brought to the notice of this office.



के.सी.जोणी / (K.C. JOHNY)  
आयुक्त / **COMMISSIONER**

C.No.VIII/48/06/2016 – Cus.Pol.  
Policy Section,  
Custom House,  
Tuticorin.

Date: 08.08.2016

To.

1. As per Mailing List I, II and III.
2. Notice Board
- ✓ 3. EDI Section, Custom House, Tuticorin for uploading in the website

✓ Copy submitted to: The Chief Commissioner of Customs (Preventive), Trichy.