

Government of Pakistan
Revenue Division
Federal Board of Revenue

C.No.3(15)S.Val/2014

Islamabad, the 25th May,2015

✓ The Chairman,
Transparency International Pakistan,
Karachi.

Subject: Allegation of harassment for corruption by Directorate of Intelligence and Investigation, Karachi on illegal act against M/s Kashif Electronic of declaring Juicer/Blenders a Homegrown brand ANEX as Branded.

I am directed to refer to your letter dated 04.04.2015 on the subject cited above.

2. The contents of the Complaint have been examined. Brief facts of the case, as reported by Directorate General of Intelligence & Investigation in the contravention reports are that an information was received by the Directorate that M/s Kashif Electronics, Karachi were engaged in import and clearance of "ANEX" Brand Home Appliances from China on under-invoiced value in the garb of local brand and causing loss to the public exchequer. On scrutiny of soft data retrieved from M/s PRAL, Directorate concluded that "ANEX" Brand home appliances i.e. Vacuum Cleaner, blenders / grinders, food processors, juice extractors, microwave ovens, deep fryers, dry/ steam irons, grill toasters, electric kettles, sandwich makers / toasters, hair dryers, PCB Dryers, Insect Killers, Semi automatic washing machines & inverters etc. were released at lower value of "un-branded" goods mentioned in Valuation Ruling No. 384 dated 08.10.2011.

3. According to the Directorate, "ANEX" Brand of Home Appliance is a Known German brand and carry an international identity, therefore, the same falls under the category of International Brand as mentioned in the Valuation Ruling No. 384 dated 08.10.2011. Accordingly, contravention reports were prepared by the Directorate and sent to the Collectorate of Customs (Adjudication-I) Custom House, Karachi for adjudication.

4. The Collectorate of Customs (Adjudication-I) after affording opportunity of hearing to the importer, passed Order-in-Original No's 387/2014-15 dated 06.02.2015, 468/2014-15 dated 25.03.2015, 391/2014-15 dated 16.02.2015 and 392/2014-15 dated 16.02.2015 against the importer (**Annex-A,B,C,D**) confirming the view point of Directorate of Intelligence and Investigation, Karachi.

5. After receipt of the aforesaid orders, and Directorate of Intelligence and Investigation letter dated 10.04.2015 (**Annex-E**), the M.C.C Appraisement (West)

Karachi is assessing the "ANEX" Brand Home Appliances at par with the value of branded goods indicated in Valuation Ruling No.384 dated 08.10.2011 in the light of above mentioned Order-in-Originals.

6 It is pointed out that there is no element of harassment and M.C.C Appraisement (West) Karachi is only following / implementing the Order-in-Original No. 387/2014-15 dated 06.02.2015. However, if the importer is aggrieved with the findings of Order-in-Original, he has an option to prefer an appeal under Section 194-A of the Customs Act, 1969.

Encl: (As above).


(Yousaf Haider Orakzai)
Secretary Customs (Val & Audit)

Copy to:

The Chairman, Prime Minister's Inspection Commission, Prime Minister's House, Islamabad.


(Yousaf Haider Orakzai)
Secretary Customs (Val & Audit)

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Already Noted

MINISTRY OF PAKISTAN
CUSTOMS (ADJUDICATION-I)
11TH FLOOR, CUSTOM HOUSE
KARACHI

No. Coll.Adj-I-9/603-Appg-II/Kashif/2014

Dated. 6.02.2015

BEFORE: **DR. FAREED IQBAL QURESHI**
Collector of Customs (Adjudication-I)

387
Order-in-Original No. /2014-15

N.B.

1. This copy is granted free of charge for the private use of the person to whom it is issued.
2. An appeal against this order lies under section 194-A of the Customs Act, 1969 before the Customs Appellate Tribunal, 3rd Floor Jamil Chamber, Saddar Karachi, within 60 days of the communication of this order. An appeal should bear a court fee stamp of Rs. 1,000/-

The appellant should state in his appeal if he desires to be heard in person or through advocate.

Subject: **MIS-DECLARATION OF VALUE / UNDER-ASSESSMENT IN VIOLATION OF VALUATION RULING NO. 384 DATED 08.10.2011 AND EVASION OF DUTY & TAXES OF RS. 40,164,427/- ON IMPORT AND CLEARANCE OF ANEX BRAND HOME APPLIANCES FROM CHINA BY M/S. KASHIF ELECTRONICS, KARACHI (NTN-0818867).**

1.	RESPONDENTS:	i) M/s. Kashif Electronics, Shop No. 2-23, Al-Haroon Electronic Market, Abdullah Haroon Road, Karachi. ii) M/s. Morriswala & Company, B-8, Ground Floor, Puri House, West Wharf Road, Karachi.
2.	CASE INSTITUTED BY:	Directorate General of Intelligence and Investigation- FBR, Karachi.
3.	DATE OF INSTITUTION:	13.08.2014 (SCN)
4.	DATE OF HEARING:	27.08.2014, 23.09.2014 & 03.12.2014
5.	DATE OF JUDGMENT:	29.12.2014
6.	PRESENT:	a) For the Respondent: i. Mr. Muhammed Ali Jangda, (Chief Executive / Proprietor of Kashif Electronics) ii. M. Fareed (Clearing Agent) iii. Khawaja Navced Ahmed (Barrister)
		b) For the Prosecution: i) Mr. Abdul Rasheed, Intelligence Officer Directorate of Intelligence and Investigation - FBR, Regional Office, Karachi.

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Collector of Customs
Adjudication-I
Customs House, Karachi

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ORDER

... facts of the case as reported by the Directorate General of Intelligence & ... on-FBR, Regional Office Karachi vide Contravention Report No. 603-Appg- ... /2014/7684 dated 28.06.2014 are that a credible information was received to the ... that M/s. Kashif Electronics (NTN-0818867), Karachi were engaged in import and ... of Home appliances from China on under-invoiced value, causing loss to the ... public exchequer, despite the fact that minimum assessable value of house appliances items ... of China origin has been determined vide Valuation Ruling No.384 dated 08.10.2011 issued ... by the Directorate General of Customs Valuation, Karachi. Accordingly, the import data ... pertaining to clearances of home appliances was retrieved from PRAL's on-line facility and ... upon scrutiny of the same, it was revealed that M/s. Kashif Electronics imported ANEX ... Brand electrically operated home appliances i.e. vacuum cleaners, blenders / grinders, food ... processors, juice extractors, microwave ovens, deep fryers, dry/steam irons, grill toasters, ... electric kettles, sandwich makers / toasters, hair dryers, PCB boards, insect killers, semi ... automatic washing machines and invertors etc. from China which were cleared through ... Model Customs Collectorate of Appraisalment (West), Karachi as unbranded on under- ... invoiced value, causing colossal loss to the public exchequer, despite the fact that minimum ... assessable value of household appliances of China origin has been determined vide Valuation ... Ruling No. 384/2011 dated 08.10.2011 issued by the Directorate General of Customs ... Valuation, Karachi. It is pertinent to mention here that the Directorate General, Customs ... Valuation, Karachi vide letter No. Reg-Misc/04/2006-VII dated 21.06.2014 has clarified that ... the ANEX brand of home appliances is a known German brand and carries an international ... identity, which is a verifiable fact. Therefore, ANEX brand home appliances correctly falls ... under the category of imported international brands as indicated in Valuation Ruling ... No.384/2011 dated 08.10.2011. An item-wise detail of electrically operated home appliances ... imported by the above named importer is given hereunder:

S#	Description	Quantity (Nos.)
1	Vacuum cleaners	42,209
2	Blenders/ grinders,	85,362
3	Food processors, ,	15,771
4	Choppers	24,990
5	Juice extractors,	46,079
6	Microwave ovens,	13,146
7	Deep fryers,	3,348
8	Dry/steam irons,	53,316
9	Grill toasters,	11,438
10	Electric kettles,	32,914
11	Sandwich makers/toasters,	36,946
12	Hair dryers,	3,000
13	PCB boards,	21
14	Insect killers,	4,202
15	Semi automatic washing machines,	01
16	Invertors	1,000

Collector of Customs
Appraisalment-1
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2. In view of the above, the differential value of the ANEX brand home appliances imported by above named importers came to Rs.88,779,382/- involving evasion of duty and taxes amounting to Rs.40,164,427/- (i.e., CD: Rs.13,121,731/-, ST: Rs.17,299,240/-, Add ST: Rs.3,057,035/- and IT: Rs.6,686,421/-), which were recoverable from the importer. Thus M/s.

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Kashif Electronics (NTN-0818867), Karachi in connivance with their clearing agent M/s. Morriswala & Company (CHAL# 116), has violated the provisions of Sections 25A, 32 (I) & 32A read with Sections 79 of the Customs Act, 1969, punishable under clauses (14) and (14A) of Section 156 (I) of Customs Act, 1969, further read with Sections 3,4, 6, 7A, 33, 34 of Sales Tax Act, 1990, read with Section 148 (1) of Income Tax Ordinance, 2001. In the light of above reported facts, M/s. Kashif Electronics (NTN-0818867), Shop No. 2-23, Al-Haroon Electronic Market, Abdullah Haroon Road, Karachi (importer) and M/s. Morriswala & Company (CHAL# 116), Room No. 6, 2nd Floor, Al-Yousuf Chamber, New Challi, Karachi (clearing agent) were called upon to show cause as to why the evaded amount of duty / taxes as aforesaid should not be recovered from them and penal action warranted under the aforementioned provisions of law may not be taken against them.

3. Scrutiny of record revealed that hearings of the case were conducted on 27.08.2014, 23.09.2014 and 03.12.2014. To meet the requirements of natural justice, the time limit for finalizing adjudication was extended by the competent authority in terms of Section 179(3) of the Customs Act, 1969. The respondents submitted written reply to the Show Cause Notice, contents of which are reproduced below:

Subject: Reply To Show Cause Notice No.76/Dit-Khi/Cont-Appg-30/Kashif Electronics/2014 dated 05-09-2014

Dear Sir,

The above notice has been served to M/s. Kashif Electronic NTN-0818867), Shop No.2-23, Al-Haroon Electronic Market, Abdullah Haroon Road, Sadder Karachi, on 08-08-2014. Its parawise reply is submitted hereunder;-

That the contents of paragraph No.1 of the show cause notice are based on wrong information supplied to the directorate General Intelligence and Investigation FBR Karachi. It is humbly submitted that the answering Respondent is importer of Household Appliances and is doing this business for about the last two decades. He got the brand "ANEX" registered in Pakistan for his Household appliances. Copy of Certificates issued by Government of Pakistan Trade Marks Registry Karachi dated 07-08-1997 is enclosed herewith. It is humbly submitted that in china there is an Electronic Company by the name of "Anex Electrical Company Ltd". The answering Respondent is their customer for about last two decades. He at his own choice chose the name of his Household appliances as "AN EX" and sought permission from them to get the same registered locally in Pakistan. They do not produce any product by the name of "ANEX". Only the products which are purchased by the answering Respondent are marked as "ANEX" on the request of the answering Respondent. They produce and supply products to their different customers all over the world with their brand name, the product imported by the answering respondent form China is a Home Grown Brand and it is neither being marketed nor being sold anywhere else except in Pakistan and that also by the answering respondent himself from his office named Kashif Electronics. No one else imports or sells this brand as this is the answering Respondent's personal home grown local brand.

It is humbly submitted that this show cause notice under reply is based upon wrong informations collected by the director Surraya Ahmed Butt. The import of the product is from china. All the cartons contain the brand of "ANEX". It is written on the master carton Made in PRC (Peoples Republic of China)" also all the rating labels have made in PRC printed on them. It is astonishing to note that inspite of this

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Adjudication-4
Custom House, Karachi*

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evidence available on record a Director Level Officer can believed the false information given her. There is a liaison office of Anex electrical company in Germany which has nothing to do with the manufacturing or sale of 'ANEX Brand range. This office only serves the purpose of communicating and coordination with its European and neighbouring customers. It is answering Respondent's brand registered locally in Pakistan and the answering Respondent is the only one in world importing distributing and selling the same. Various international definitions of international brands are attached for your perusal, also we are enclosing herewith list of international brands issued by Karachi Chamber of Commerce and Industry which was issued on the request of valuation Directorate.

2) That the contents of paragraph No. 2 of the show cause notice are again based on wrong informations collected by the Directorate. Anex products are not made in Germany. Anex Germany Products has been printed by the answering respondent as a marketing strategy to attract a customer. It is a trend in the market that a lot of the importers get certain slogans printed on their cartons like "Taiwan Technology", Japan Quality", French Techniques" etc. Many famous brands are using such type of slogans on their cartons just to attract the customers. This type of branding called foreign branding by marketing experts. The answering Respondent is throwing challenge to the Directorate to show any other importer of Anex home appliances in any other country. It is answering Respondent's own brand. The websites <http://www.ancx-gerrmany.com>, www.facebook.com/Anex.pk & www.anex.pk are the websites of the answering respondent. Word "pk" is written in it which shows Pakistan. These are only marketing techniques to gain the confidence of the customer to buy the product. All correspondence on these websites are received by Kashif Electronics. The demonstration may be done in order to verify the same.

3) All goods are imported from China and goods are manufactured and shipped from China. The cartons clearly have inscriptions stating made in PRC (Peoples Republic of China)'. The answering respondent wonders how the people in Custom Departments missed this piece of information. The notice is based on malafidies.

4) That the contents of paragraph No.3 & 4 of the show cause notice are not applicable in case of answering Respondent. It may be informed that Kashif Electronics currently carries a range of close to 175 products out of which only 5% are being manufactured at ANEX Electrical Company while the rest of the products are being manufactured at various other factories in China. It is humbly submitted that no custom duty has been evaded by the answering respondent and no mis declaration has been made. The valuation ruling of the product / consignment of answering respondent fall under valuation ruling no. 384/2011 dated 8.10.2011 of unbranded / local brands. It is most humbly prayed that you honour may be pleased to vacate the show cause notice on consideration of the above mentioned facts and grounds. The answering makes request of a personal hearing which may kindly be granted.

-sd/-

(Muhammed Ali)

Owner of M/s Kashif Electronics Karachi
Answering Respondent)

