CUSTOMS VALUATION
BACKGROUND TO THE AGREEMENT

World Customs Organization
www.wcoomd.org
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The CV of imported goods is the value of goods for the purposes of levying ad valorem duties of customs on imported goods. Article 15 (a).

Most of the duty applicable on imported goods are ad valorem. Thus, the importance of well determining the taxable base.
(1) The GATT raised various questions about Customs processes but there was no institution responsible for examining Customs issues

1947

(2) Thirteen European countries established a Study Group to examine the Customs issues identified by the GATT and this led to the decision to create an international Customs body

1948

(3) The Convention establishing a Customs Cooperation Council (CCC) was signed in Brussels

1950

(4) The CCC Convention entered into force on 4 November 1952

1952

(5) The inaugural session of the CCC Council was held on 26 January 1953 with 17 founding Members

1953

(6) In 1994, the CCC adopts the name WCO

1994
The path to a fair and neutral international system

1947: Article VII of the GATT

1950: Convention on the valuation of goods for Customs purposes

1953: Entry into force of the Convention on the valuation of goods for Customs purposes

1973 - 1979: GATT valuation Code (Tokyo Round)

1981: Entry into force of the GATT valuation Code

1986 - 1993: Agreement on the implementation of Article VII of the GATT 1994

1994: Uruguay Round
HISTORY OF WTO AGREEMENT

- Article VII of GATT 1947:
  - Based on ACTUAL value of the imported merchandise
  - Where not ascertainable (e.g. no sale), use nearest ascertainable equivalent

- Tokyo Round: 1973 - 1979
  - Valuation Code created: a uniform, fair and neutral system
  - Hierarchy of methods, primacy given to “transaction value”

- Uruguay Round: 1986 – 1993

- 1995
  - Creation of WTO
  - WTO Agreement; (same text as Valuation Code + new Decisions)
    - Obligation on all WTO Members
GENERAL PRINCIPLES ON CUSTOMS VALUATION

Article VII of GATT

- Value based on the actual value of imported goods on which duty is assessed or of like goods.

- Actual value” should be the price at which, at a time and place determined by the legislation of the country of importation, such or like merchandise is sold or offered for sale in the ordinary course of trade under fully competitive conditions.

- Should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

- The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.
PRINCIPLES OF THE AGREEMENT

1. UNIFORM and CERTAINTY

2. NEUTRAL and FAIR

3. SIMPLE & EQUITABLE CRITERIA CONSISTENT WITH COMMERCIAL PRACTICES

PRINCIPLES
At technical level ensure uniformity in interpretation and application of the Agreement on the Implementation of Article VII of the GATT 1994. Afford members the opportunity to consult on matters relating to the administration of customs valuation systems. Established under the auspices of the CCC (WCO). At technical level ensure uniformity in interpretation and application.

Member administration

Committee on Customs Valuation

Trade Ministry

Customs Department

Technical Committee on Customs Valuation

Decision

Advisory Opinions, Commentaries, Case Studies, etc
THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION

- TCCV established in WTO Agreement; managed by WCO
- Responsibilities include:
  - ensuring uniformity of treatment
  - examining specific technical problems, draft instruments
  - studying valuation laws, procedures and practices
  - facilitating technical assistance
The Agreement is set out in a transparent and logical manner and each method of valuation must be considered in strict sequential order. Let’s take a look at the various Articles making up the Agreement.
Primary basis for customs value is “transaction value”
= price actually paid or payable plus certain adjustments

Transaction value to be used to “greatest extent possible”

Consult with importer where transaction value cannot be determined or no sale exists

Follow hierarchy of alternate methods

"The customs value of imported goods shall be the transaction value, that is the price actually paid or payable ...”, except under certain specified circumstances.
METHODS OF VALUATION

Article 1 - Transaction value method.
Article 2 - Transaction value of identical goods.
Article 3 - Transaction value of similar goods.
Article 4 - Order in Application of Articles 5 and 6.
Article 5 - Deductive value method.
Article 6 - Computed value method.
Article 7 - Fallback method
Article 8 - Additional elements to be added to the transaction value.
ARTICLES 9 - 17

Article 9 - Currency conversion
Article 10 - Confidentiality
Article 11 - Importers right to appeal without penalty.
Article 12 - Obligation to publish laws.
Article 13 - Obligation to provide a guarantee system.
Article 14 - Refers to Annex I Notes, Annexes II and III.
Article 15 - Defines certain words and terms.
Article 16 - Right of importers to written explanation.
Article 17 - Rights of customs administrations.
COMPARISON OF BDV WITH WTO AGREEMENT

**BDV**
- 28 July 1953
- Notional concept
- Based on ‘open market price’
- Price under fully competitive conditions

**Valuation Agreement**
- 1st January 1981
- Positive Concept
- Based on actual value or nearest ascertainable equivalent
- $CV = TV$
- Obligation on all WTO Members
thank you!!