

# WCO Practical Guidelines for Valuation Control



World Customs Organization



# WCO Practical Guidelines for Valuation Control - *Structure*

## 1. Valuation Policy and Legislation

- ♦ WTO obligations and legal framework
- ♦ Establishing national/regional valuation policy
- ♦ Engagement with Technical Committee on Customs Valuation

## 2. Managing Valuation Risk

- ♦ Risk profiling
- ♦ Importance of trade statistics
- ♦ Importer Profiles and Trade Segmentation

# Trade segmentation approach

Client segmentation based on value

Importer Category	VDP Value Range ZMK Billion	% VDP Contribution	No.	% of Total No.
Large	> 70	89.6	322	1.6
Medium	> 10 < 70	6.8	790	3.0
Small	< 10	3.6	23,044	95.4

# Trade segmentation approach

- Each segment has a different treatment strategy

Importer Category	Risks	Treatment Strategy
Large	<ol style="list-style-type: none"> <li>1. Systemic errors</li> <li>2. Transfer pricing</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Based Control</li> <li>2. Customs-to-Business partnership (CACP)</li> <li>3. Client Education on identified weaknesses (informed compliance)</li> </ol>
Medium	<ol style="list-style-type: none"> <li>1. Limited/poor systems and internal controls</li> <li>2. Poor record keeping</li> <li>3. No TPIN</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Based Control</li> <li>2. Pre-Entry Risk Based Control</li> <li>3. Client Education on identified weaknesses(informed compliance)</li> <li>4. Agent focus and control</li> <li>5. TPIN Registration</li> </ol>
Small	<ol style="list-style-type: none"> <li>1. No fixed trading address/location</li> <li>2. No TPIN</li> <li>3. Non existence of internal controls</li> <li>4. Poor record keeping</li> </ol>	<ol style="list-style-type: none"> <li>1. TPIN Registration</li> <li>2. Pre-Entry Risk Based Control</li> <li>3. Client Education(informed compliance)</li> <li>4. Agent focus and control</li> </ol>

Escalatory Penalties

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## Control - *Structure*

### 2. Managing Valuation Risk (*continued*)

#### Development and use of a Valuation Database

- ◆ Understanding commercial pricing practices
- ◆ Caveats and limitations to use of a valuation database
- ◆ Sources of price data
- ◆ Input and storage of data
- ◆ Protection and availability of data
- ◆ Use of price data as a risk management tool
- ◆ Safeguards against mis-application of database

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### 3. Developing An Effective Valuation Control Programme

- ◆ Pre-Clearance stage
  - ◆ *Advance rulings*
- ◆ Balancing frontier and post-importation checks
- ◆ Procedure to follow when doubts exist regarding the truth or accuracy of the declared value: WTO Decision 6.1
- ◆ Facilitation of compliant trade/ improving compliance
- ◆ Options for exchange of customs valuation information

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### 4. Key Challenges

- ◆ Informal trade sector
- ◆ Second-Hand goods/Used motor vehicles
- ◆ Pre-Shipment Inspection
- ◆ Multi-national enterprises: key valuation issues
- ◆ Fighting valuation fraud

... + three country Case Studies; Brazil, India, Mauritius



# WCO Guidelines for Post Clearance Audit

- 💧 Two volumes:
  - 💧 Volume 1 – Framework, Policy, Legislation etc.  
*(Available to public and Members)*
  - 💧 Volume 2 – Operational; including checklists  
*(Members only)*
  - 💧 Confirms PCA as a compliance tool
- 💧 Endorsed by Enforcement Committee