

## WTO AGREEMENT ON CUSTOMS VALUATION

### Customs Valuation

The Customs value on imported goods is determined mainly for the purpose of applying ad valorem duties. It constitutes the taxable basis for Customs duties. It is also an essential element for trade statistics, for monitoring quantitative restrictions, tariff preferences and for collecting internal national taxes, etc.

### The WTO Valuation Agreement

The WTO Valuation Agreement (the Agreement), formally known as the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (GATT), replaced the GATT Valuation Code as a result of the Uruguay Round multilateral trade negotiations which created the WTO in 1994. The GATT Valuation Code was originally created in 1979 during the Tokyo Round of multilateral trade negotiations with a view to ensuring that the effect of tariff concessions would not be derogated by non-tariff barriers, one of them being arbitrary Customs valuation regimes which were prevalent at that time.

The Agreement establishes a Customs valuation system that primarily bases the Customs value on the transaction value of the imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, plus certain adjustments.

In cases where the Customs value can not be determined on the basis of the transaction value, it will be determined using one of the following methods:

- ✓ The transaction value of identical goods;
- ✓ The transaction value of similar goods;
- ✓ The deductive value method;
- ✓ The computed value method;
- ✓ The fall-back method.

The above valuation methods must be used in hierarchical order.

### Benefits of implementing the Agreement

The Agreement is intended to provide a single system that is fair, uniform and neutral for the valuation of imported goods for Customs purposes, conforming to commercial realities and, outlawing the use of arbitrary or fictitious Customs values. The Agreement, by its positive definition of value, recognizes that Customs valuation should, as far as possible, be based on the actual price of the goods to be valued.

With more than 90% of world trade valued on the basis of the transaction value method and price adjustments based on objective and quantifiable data, the Agreement provides more predictability, stability and transparency for trade, thus facilitating international trade while at the same time ensuring compliance with national laws and regulations.

By 1 June 2000, there were 78 WTO Members already applying the Agreement.

### The Role of the WCO

The WCO Strategic Plan has three goals in its focus area of implementing the WTO Valuation Agreement by its Members. These are:

- ✓ To assist least developed and developing country Members to fully implement the WTO Valuation Agreement.
- ✓ To encourage Members to interpret and apply the Valuation Agreement in a uniform, predictable and transparent manner.
- ✓ To ensure that Members comply with the governing principles of the WTO Valuation Agreement through the application of appropriate work practices.

### The Technical Committee on Customs Valuation

The WTO Valuation Agreement mandates the WCO to administer the Agreement, through its Technical Committee on Customs Valuation.

The responsibility of the Technical Committee, which meets twice a year, is to ensure uniformity in the interpretation and application of the Agreement at the technical level.

The Technical Committee maintains a close working relationship with the WTO Committee on Customs Valuation which manages all the trade policy aspects of the Agreement. The major responsibilities of the Technical Committee are:

- ✓ To examine specific technical problems arising from the day-to-day administration of the Customs valuation systems of Members and to give advisory opinions on appropriate solutions based upon the facts presented. Its decisions are issued in the form of Advisory Opinions, Commentaries, Case Studies, Studies, etc., which are published in the Compendium of Customs Valuation.
- ✓ To furnish information and advice on questions concerning the valuation of imported goods as requested by Members.
- ✓ To study valuation laws, procedures and practices as they relate to the Agreement.
- ✓ To facilitate technical assistance to Members with a view to furthering the international acceptance and understanding of the Agreement.

### **Responsibilities of the Valuation Sub-Directorate, Tariff and Trade Affairs Directorate**

The Valuation Sub-Directorate comprises a Deputy Director and six Technical Officers and Technical Attachés and has the following major responsibilities:

- ✓ Provide service to the Technical Committee on Customs Valuation (organising meetings, preparation of working documents, reports, etc.);
- ✓ To conduct technical assistance missions (training courses, workshops, seminars, expert missions);
- ✓ Provide technical advice on specific valuation questions to Member Customs administrations on request;
- ✓ Develop specific projects within the mandate of the Agreement and the WCO

### **Customs/Business Relationship**

The Agreement represents a positive step towards the liberalization of international trade. It is intended to foster co-operation and mutual trust between the business community and Customs and for that reason the Agreement sets out the respective rights and mutual obligations for Customs and traders. Like all areas of Customs control, facilitation and compliance must go hand in hand with the implementation of the Agreement.

The interests of trade will not be well served by unsustainable systems and partnerships and effective communication with interested parties is essential to optimise the effective and efficient administration of the WTO Valuation instruments.

At international level, the WCO has maintained a long-term close co-operative relationship in the area of Customs valuation with the International Chamber of Commerce (ICC). The ICC has been participating in the meetings of the Technical Committee since 1979 as an observer and has had the opportunity to explain specific aspects of commercial practice as well as to give its views and advice on specific technical issues. This has led to greater understanding by Members of current commercial practices and to frank exchanges of views on both sides.

In May 2000, the WCO and ICC issued a joint statement to promote global application of the WTO Customs Valuation Agreement.

### **WCO Valuation Publications**

- ✓ The Customs Valuation Compendium-WTO Agreement and Texts of the Technical Committee on Customs Valuation
- ✓ Brief Guide to the WTO Valuation Agreement
- ✓ A Single International Valuation System

All the above publications are available from the Publication Service of the WCO.