



**World Customs
Organization**

Transaction Value

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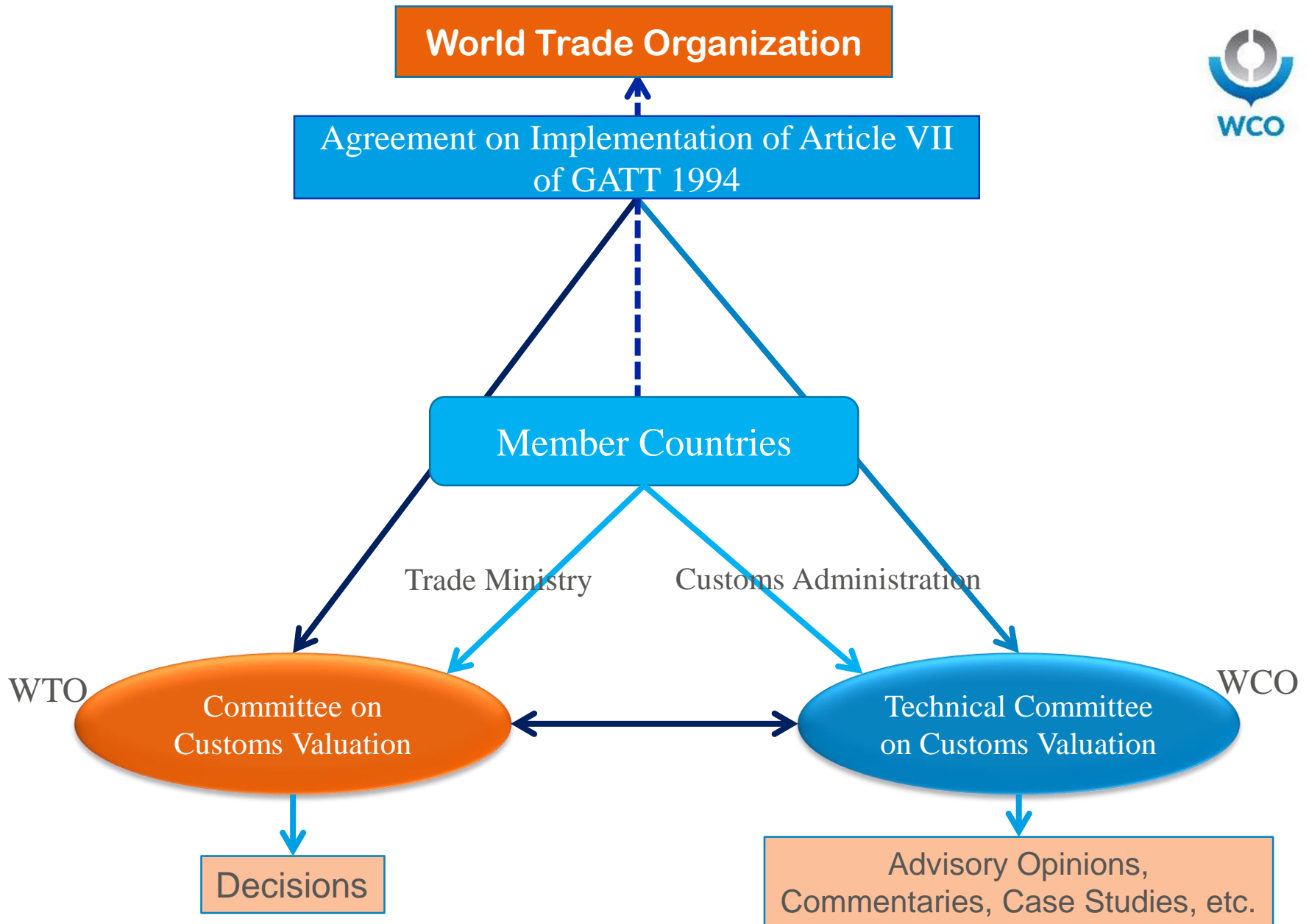
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WTO Customs Valuation Agreement

History of the WTO Customs Valuation Agreement



- Article VII of GATT 1947: “*actual value*”
- Tokyo Round : 1979
 - Valuation Code created : a uniform, fair and neutral system for valuation
 - Hierarchy of methods, primacy given to “transaction value”
- Uruguay Round : 1993
 - Formation of WTO in 1995
 - WTO Agreement ; (same text as Valuation Code + new WTO Decisions)



What is the Technical Committee on Customs Valuation?

- TCCV established under the auspices of the WCO - Responsibilities include :
 - ensuring uniformity of treatment
 - examining specific technical problems, draft instruments
 - studying valuation laws, procedures and practices
 - facilitating technical assistance



Customs Valuation Compendium



- The Compendium includes:
 - Article VII of GATT
 - Text of Agreement
 - Technical Committee instruments

- www.wcoomdpublications.org

- www.wcotradetools.org



Articles of the Agreement

- Part I (Articles 1 – 17)
Rules On Customs Valuation
 - Part II (Articles 18 – 19)
Administration, Consultation and Dispute Settlement
 - Part III (Article 20)
Special and differential treatment
 - Part IV (Articles 21 – 24)
Final Provisions
- Annexes I - III

Decisions

- ☐ 1.1 French translation of the term “copyrights” in the Interpretative Note to Article 8.1 *(c)* of the Agreement.
- ☐ 2.1 Meaning of the word “undertaken” used in Article 8.1 *(b)* (iv) of the Agreement.
- ☐ 3.1 Treatment of interest charges in the Customs value of imported goods.
- ☐ 4.1 Valuation of carrier media bearing software for data processing equipment.
- ☐ 5.1 Terms in Article 8.1 *(b)* (iv) : Development.
- ☐ 6.1 Cases where Customs administrations have reasons to doubt the truth or accuracy of the declared value.
- ☐ 7.1 Minimum values and imports by sole agents, sole distributors and sole concessionaires.



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Transaction Value

Transaction Value

- The Customs value of imported goods shall be the transaction value, that is the price actually paid or payable for goods when sold for export to the country of importation adjusted in accordance with the provisions of Article 8 of the Agreement.

The Price Actually Paid or Payable

- The total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods.
 - Need not involve transfer of money. (e.g. could be letters of credit or negotiable instruments)
 - Payment may be direct or indirect
- Activities undertaken by the buyer on the buyer's own account, are not considered to be an indirect payment to the seller
 - Therefore, not to be added to the price actually paid or payable

(Interpretative Note to Article 1)

Concept of Sale



- No definition of “sale” in the Agreement
- Common Meaning of Sale
 - A sale involves the transfer of property from one party to another for financial consideration

Sold for Export

- Transfer of ownership resulting in the exportation of the goods to the country of importation.

Country X



Sale contract for cement



Country I



**Shipment
in bulk**



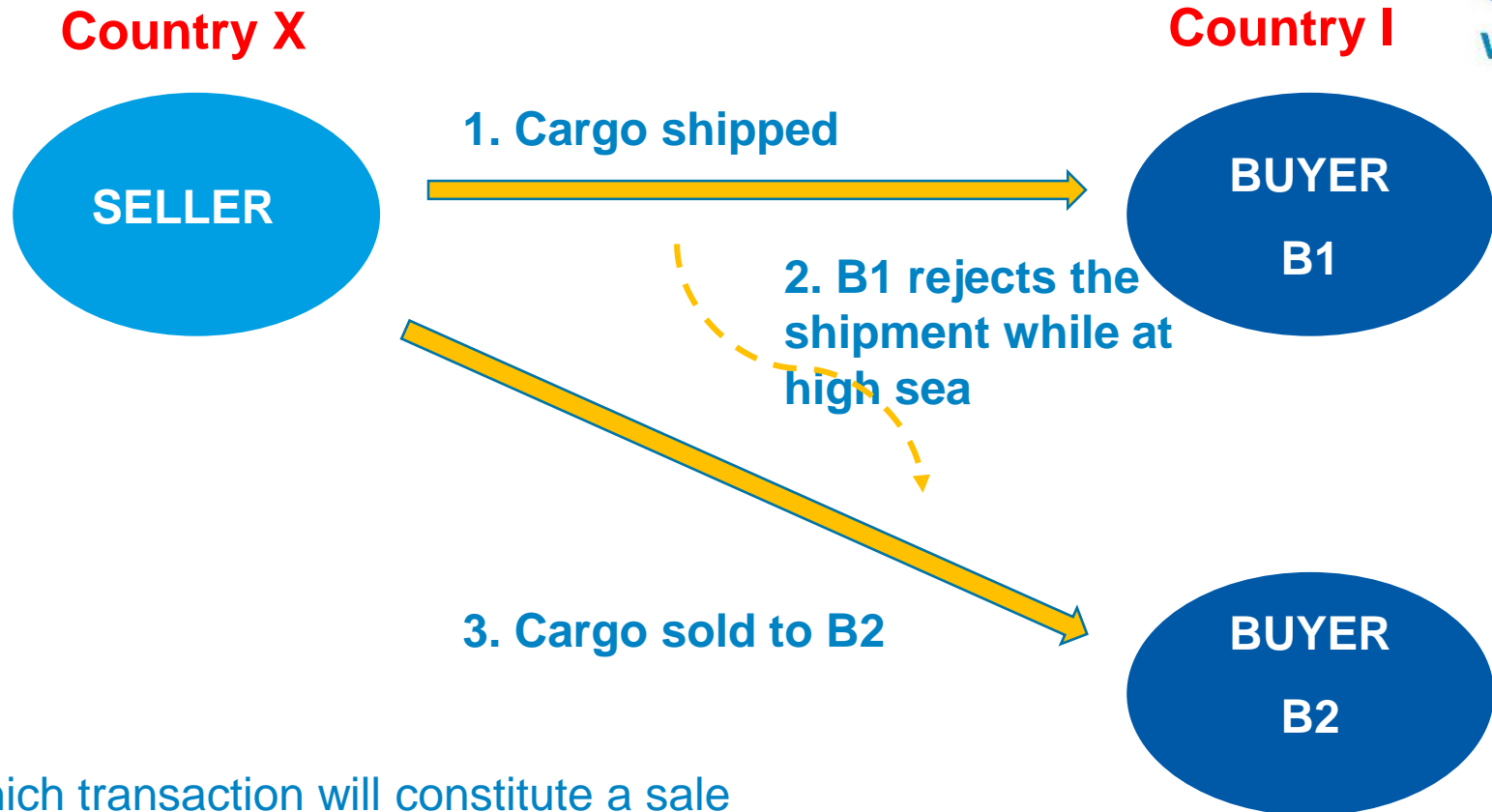
**Wrapped & packed
shipment**



Does the transaction described
constitute a sale for export to the
country of importation?



Country T



Which transaction will constitute a sale for export to the country of importation?

Conditions to be satisfied



- Are there **restrictions** on the disposition or use of the goods by the buyer ?
- Is the sale or price subject to any **condition or consideration** for which a value cannot be determined with respect to the imported goods?
- Are there **proceeds** from the resale of the goods which accrue to the seller ?
- Are the buyer and seller **related** ?

Conditions to be satisfied - 1



- **Restrictions**

The transaction value cannot be used where there are restrictions that affect the disposition or use of the goods by the buyer.

For example, where the buyer is not allowed to resell the goods.

Conditions to be satisfied - 1



- **Restrictions**

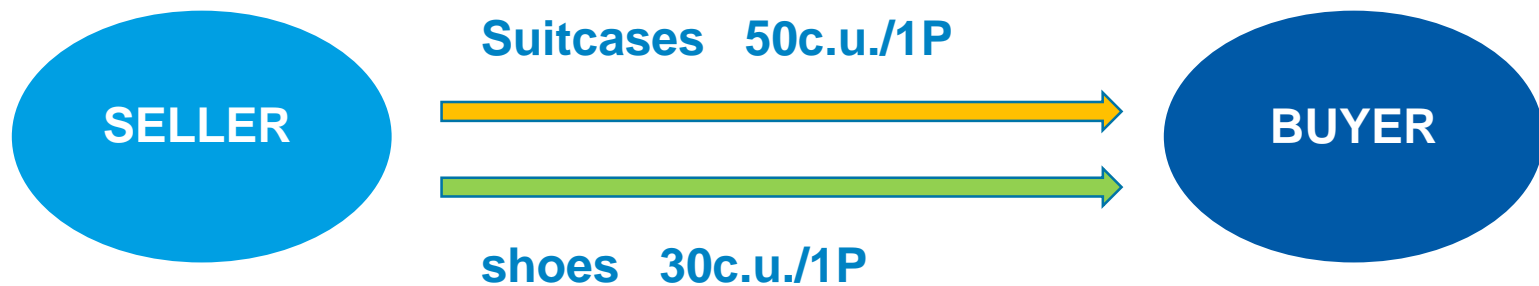
Three exceptions:

- Restrictions which are imposed or required by law or by the public authorities in the country of importation
- Restrictions which limit the geographical area in which the goods may be resold
- Restrictions which do not substantially affect the value of the goods

Conditions to be satisfied - 2

- **condition or consideration** for which a value cannot be determined with respect to the imported goods

Example1: the seller establishes the price of the imported goods on condition that the buyer will also buy other goods in specified quantities.

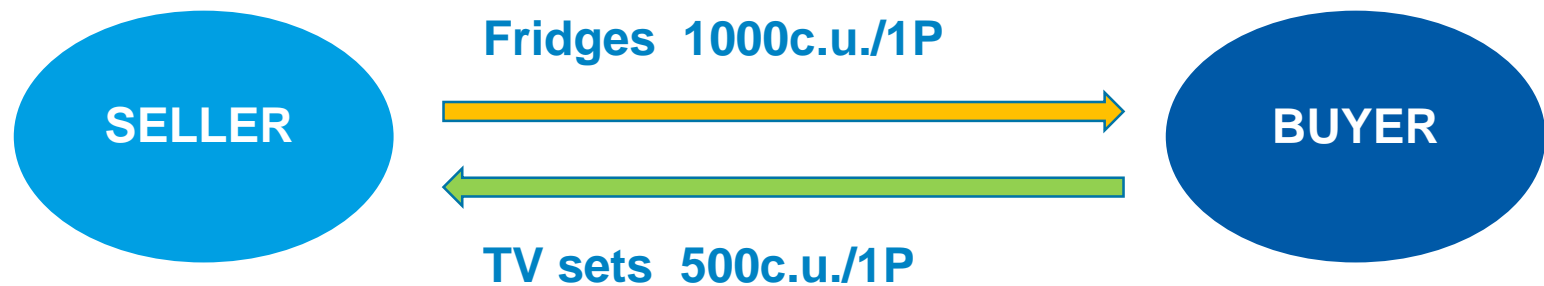


Conditions to be satisfied - 2



- **condition or consideration** for which a value cannot be determined with respect to the imported goods

Example2: The price of the imported goods is dependent upon the price or prices at which the buyer of the imported goods sells other goods to the seller of the imported goods.

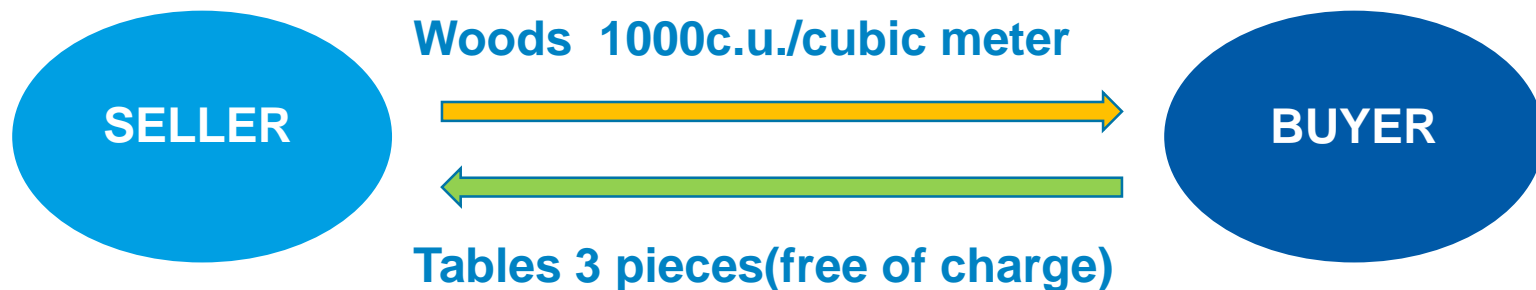


Conditions to be satisfied - 2



- **condition or consideration** for which a value cannot be determined with respect to the imported goods

Example3: The price is established on the basis of a form of payment extraneous to the imported goods.



Conditions to be satisfied - 3

- Proceeds of Resale

"... that no part of the proceeds of any subsequent resale, disposal or use of the imported goods by the buyer will accrue directly or indirectly to the seller unless an appropriate adjustment can be made in accordance with the provisions of Article 8".

- Article 1.1(c)

Conditions to be satisfied - 4

- Related Parties

"... that the buyer and seller are not related, or where the buyer and seller are related, that the transaction value is acceptable for Customs purposes under the provisions of paragraph 2 [of this Article]."

- Article 1.1(d)

The Price Actually Paid or Payable Excluded: Certain “Charges or Costs”

- “The customs value shall not include the following charges or costs, provided that they are distinguished from the price actually paid or payable for the imported goods:
 - (a) charges for construction, erection, assembly, maintenance or technical assistance, undertaken after importation on imported goods such as industrial plant, machinery or equipment;
 - (b) the cost of transport after importation;
 - (c) duties and taxes of the country of importation.

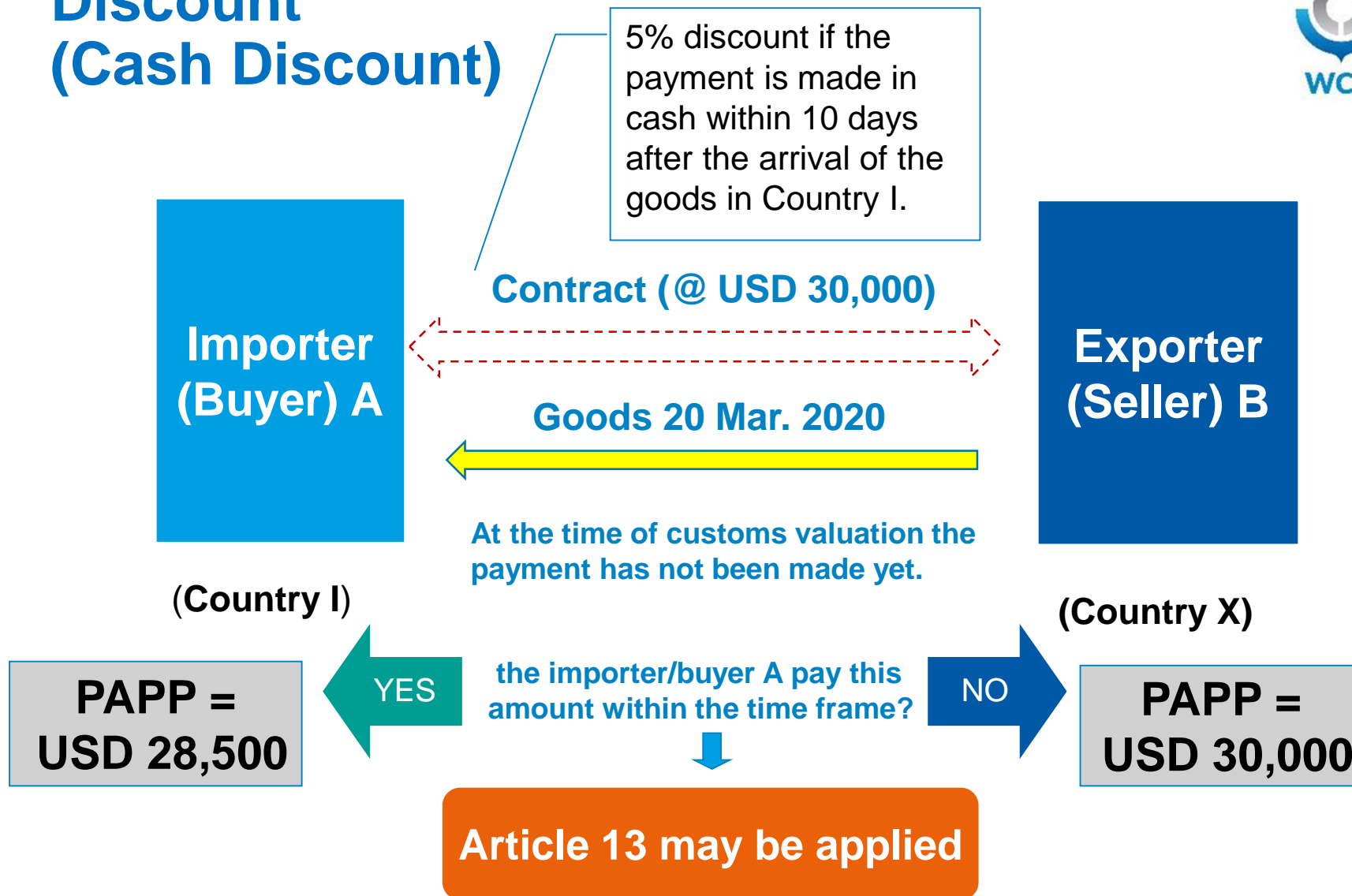
(Interpretative Note to Article 1)

Discount



- Negotiated between the buyer and the seller
- Transaction value is always the price actually paid or payable

Discount (Cash Discount)



Discount (Quantity Discount)



- designed to encourage buyers to purchase in bulk
- the larger the quantity ordered, the lower the unit price
- may require several purchases to be made before it takes effect

Customs should check :

- that the discount offer is genuine.
- how the discount is obtained. If it takes effect retrospectively, deal with as a credit.

Discount (Quantity Discount) - Example



- The seller offers the following range of quantity discounts :

Full price: 100 C.U.

1 to 9 units : no discount

10 to 49 units : 5 % discount

over 50 units : 8 % discount

Discount (Quantity Discount) - Example



- Importer B purchases 27 units and is granted a 5 % quantity discount.

Can the 5 % discount be applied ?

Full price: 100c.u.

1 to 9 units : no discount

10 to 49 units : 5 % discount

Over 50 units : 8 % discount

Payment for the first shipment:

$$27 \times 100 \times (1-5\%) = 2565\text{c.u.}$$

Discount (Quantity Discount) - Example



- B purchases a further 42 units from the same supplier. He receives an 8 % quantity discount on the shipment of 42 units as the manufacturer grants the discount on the cumulative purchase of over 50 units.

Can the 8 % quantity discount be applied ?

Full price: 100c.u.

1 to 9 units : no discount

10 to 49 units : 5 % discount

Over 50 units : 8 % discount

Payment for the second shipment:

$$42 \times 100 \times (1 - 8\%) = 3864 \text{c.u.}$$



Thank you

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