

ARTICLE 8 ADDITIONS TO TRANSACTION VALUE

**No additions can be made to the price
actually paid or payable except in
accordance with the provisions of :**

ARTICLE 8

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ADJUSTMENTS

- SELLING COMMISSIONS**
- ASSIST**
- ROYALTIES & LICENSE FEES**
- PACKING & CONTAINERS**
- PROCEEDS OF RESALE**
- INSURANCE COSTS**
- TRANSPORT COSTS**

What is a COMMISSION ?

- Remuneration of an agent generally expressed as a percentage of the total price of the goods.
- May or may not be invoiced as a separate charge.
- If invoiced, may not specifically be identified as a commission.

What is an AGENT ?

May be a

Person
Firm

- who buys &/or sells goods for the account of a principal
- Participates in the conclusion of a contract of sale, representing either the buyer or the seller.

AGENTS

TYPES OF AGENTS

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graph TD; A[TYPES OF AGENTS] --> B[BUYING AGENT]; A --> C[SELLING AGENT];
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**BUYING
AGENT**

**SELLING
AGENT**

ROLE OF THE AGENT

ROLE

BUYING AGENT

SELLING AGENT

REPRESENTS	IMPORTER	SELLER
FINDS	SUPPLIERS	CUSTOMERS
SAMPLES	OBTAINS	MAINTAINS
ARRANGES FOR	TRANSPORT COSTS	TRANSPORT COSTS
NEGOTIATES	LOWEST PRICE	HIGHEST PRICE
DOCUMENTS	HELPS PREPARE	HELPS PREPARE
PREPARES INVOICES	CONSOLIDATES SHIPMENTS	SEPARATES SHIPMENTS

SELLING COMMISSION

Article 8 (a)(i)

***If* PAID BY SELLER usually already included in the price.**

***If* - PAID BY BUYER - add to invoice price**

BUYING COMMISSION

Article 8 (a)(i)

**Paid for services provided in arranging
on behalf of the buyer:**

**TRANSACTION INSURANCE SELECTION
TRANSPORTATION DELIVERY**

CONFIRMING COMMISSION

Article 8 (a)(i)

- To protect against the risk of non-payment or insolvency on the part of the buyer.**

COMMISSION & BROKERAGE

Article 8 (a)(i)

CONFIRMING COMMISSION



SELLING COMMISSION



BUYING COMMISSION

X

IF DISTINGUISHED

ARTICLE 8(a)(ii)



PACKING

&

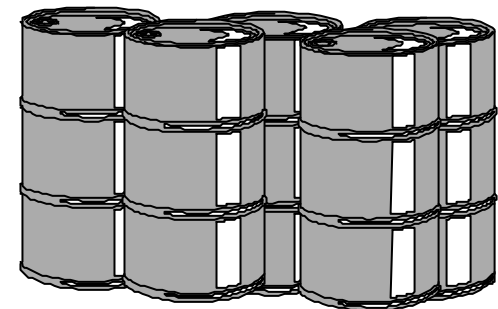
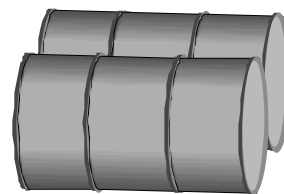
CONTAINERS



RE-USABLE CONTAINERS

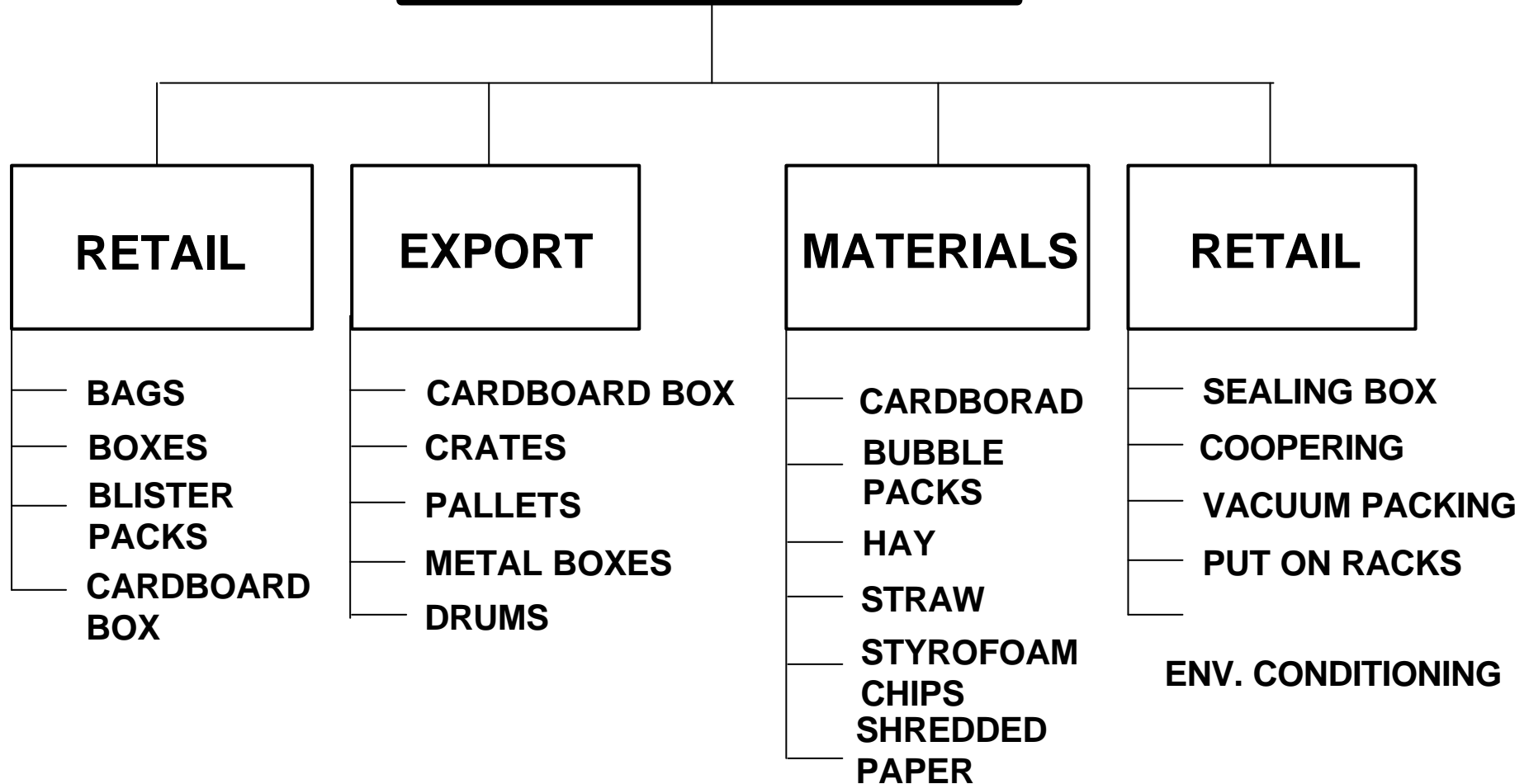
Article 8 (a)(ii)

Most countries have special provision for the temporary importation of packages of a kind suitable for repeated use.

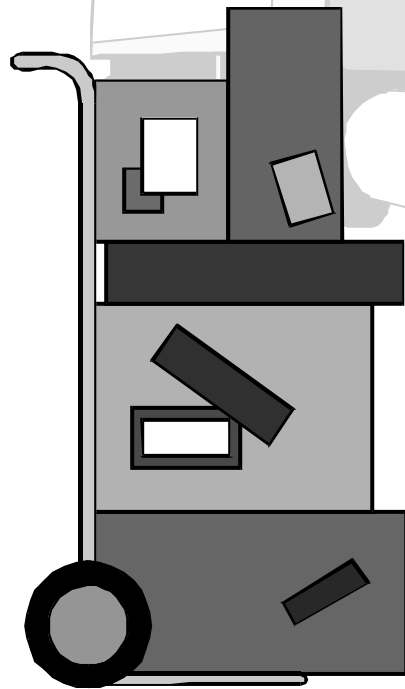


PACKING

PACKING COSTS



Delivery Expenses



DELIVERY EXPENSES

**Includes all delivery charges to
the port or place of introduction**

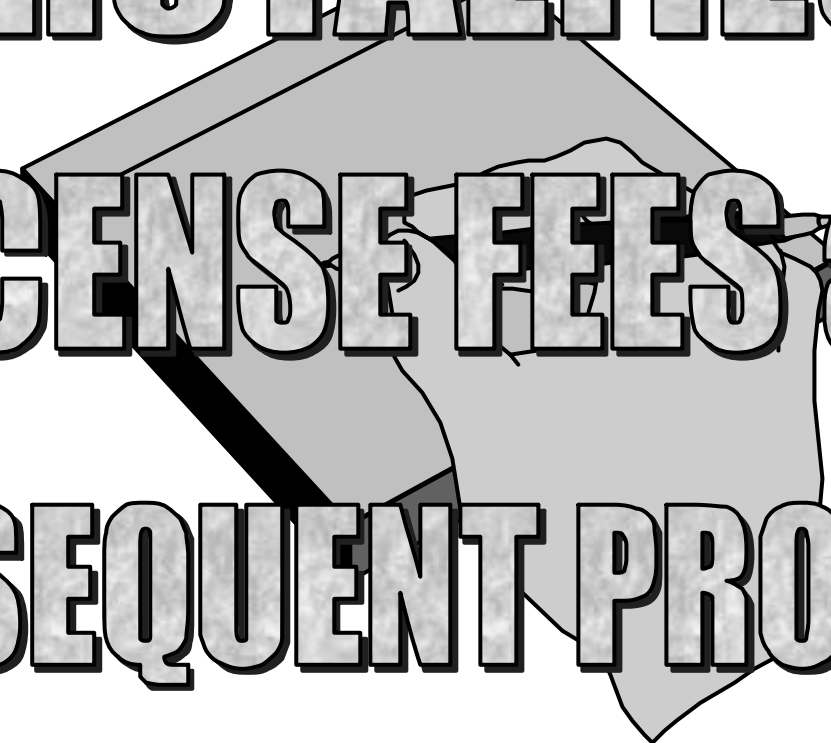
DELIVERY EXPENSES INSURANCE

If insured by the seller

Usually included in the price of the goods

If insured by the buyer

Insurance to be added to the price



ROYALTIES
LICENSE FEES and
SUBSEQUENT PROCEEDS

A royalty or license fee is a payment made to the supplier of the goods or to a third party in exchange for certain rights:



Manufacturing rights



Marketing rights



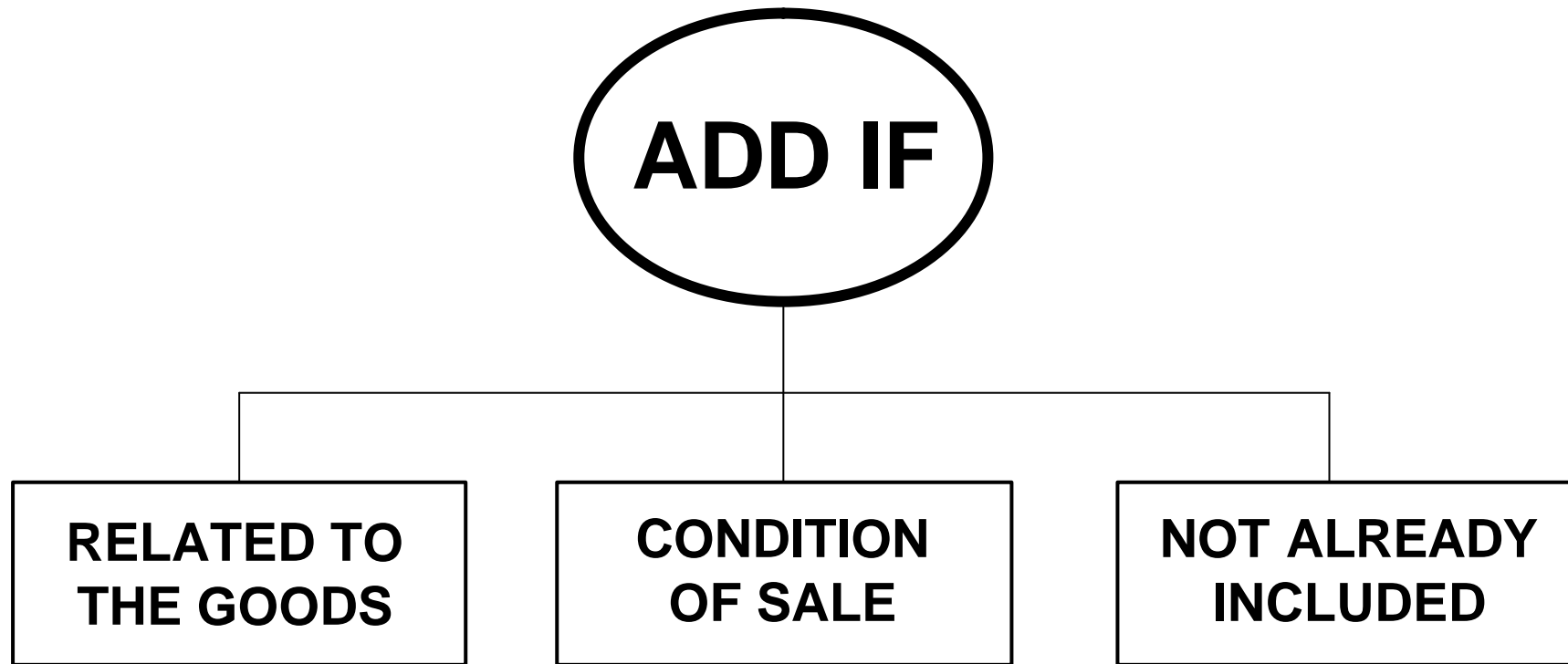
Rights of use

This right may include:

- ☞ patents
- ☞ know-how
- ☞ rights of reproduction
- ☞ rights of construction
- ☞ rights to breed distinctive animals, seeds etc.
- ☞ trademarks
- ☞ trade names
- ☞ customer lists
- ☞ training provisions of sales/service personnel
- ☞ exclusive distribution rights

Royalties / License Fees

~~Royalties / License Fees~~

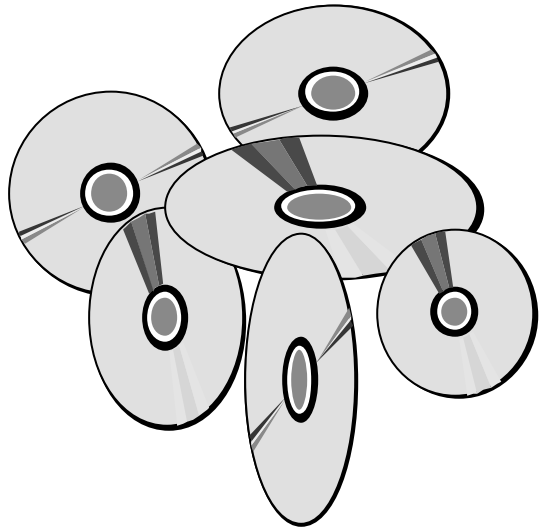


The payment may be made as a:

- 👉 part of the price of the goods shown on the invoice
- 👉 part of a separate royalty agreement between the exporter and the importer
- 👉 part of a separate royalty agreement between the importer and a third party

Example:

COMPUTER SOFTWARE or GAMES SOFTWARE



When software is imported it must necessarily be placed on some form of carrier media such as floppy disk, CD ROM, ZIP drive disk.

When these goods are sold, the carrier media is the only tangible thing which the buyer takes ownership of. It may account for less than 1% of the amount that has been paid.

The following types of goods could carry a royalty or license fees:

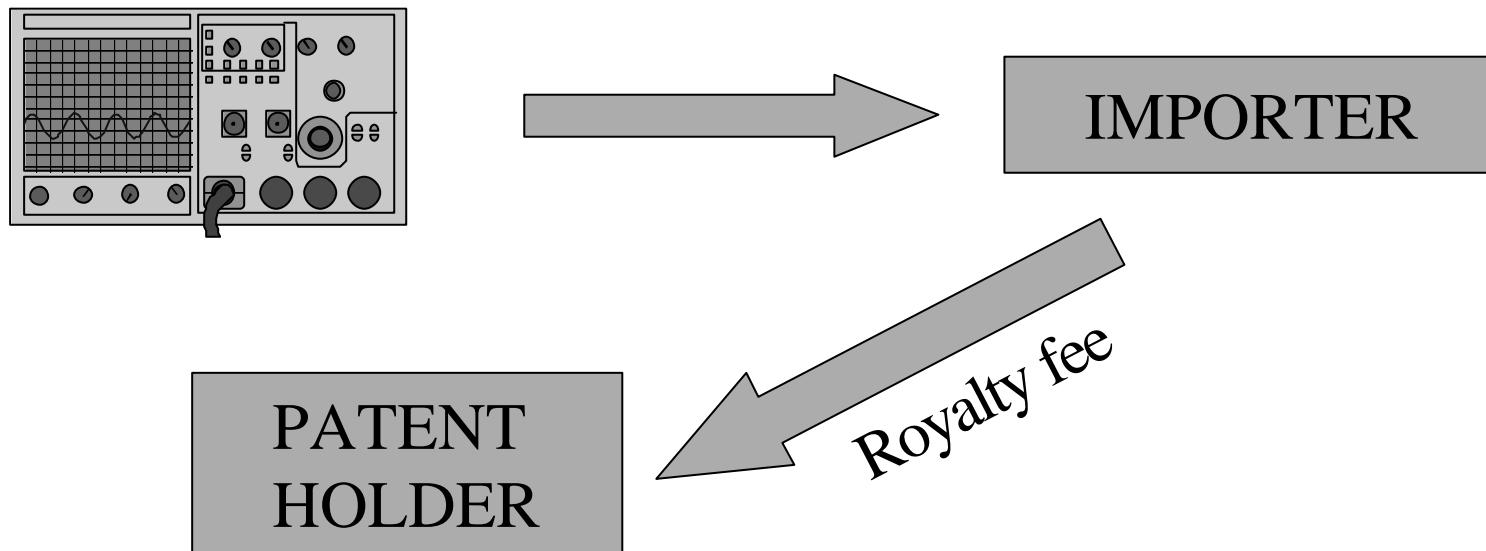
- Clothing
- Footwear
- Electronics
- Computer Software
- Films, videos, records, cassettes, CDs
- Any type of goods which carry a trademark/logo/cartoon character

EXCEPT

RIGHT TO REPRODUCE - when the payment has been made for the right to reproduce in the importing country it cannot be considered as part of the dutiable value for customs purposes

Example Problem:

When a machine manufactured under a patent is sold for export to the country of importation at a price exclusive of the patent fee, which the seller has required the importer to pay to a third party who is a patent holder, should the royalty be added to the price paid or payable?



Answer:

The royalty should be added to the price actually paid or payable in accordance with the provisions of Art. 8.1 (c), since the payment of the royalty by the buyer is related to the goods being valued and is a condition of sale of those goods.

Proceeds of Subsequent Resale

Proceeds of Subsequent Resale

An addition to the price actually paid or payable will be made for the value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrue, directly or indirectly, to the seller

ASSISTS

Article 8 (b)

?

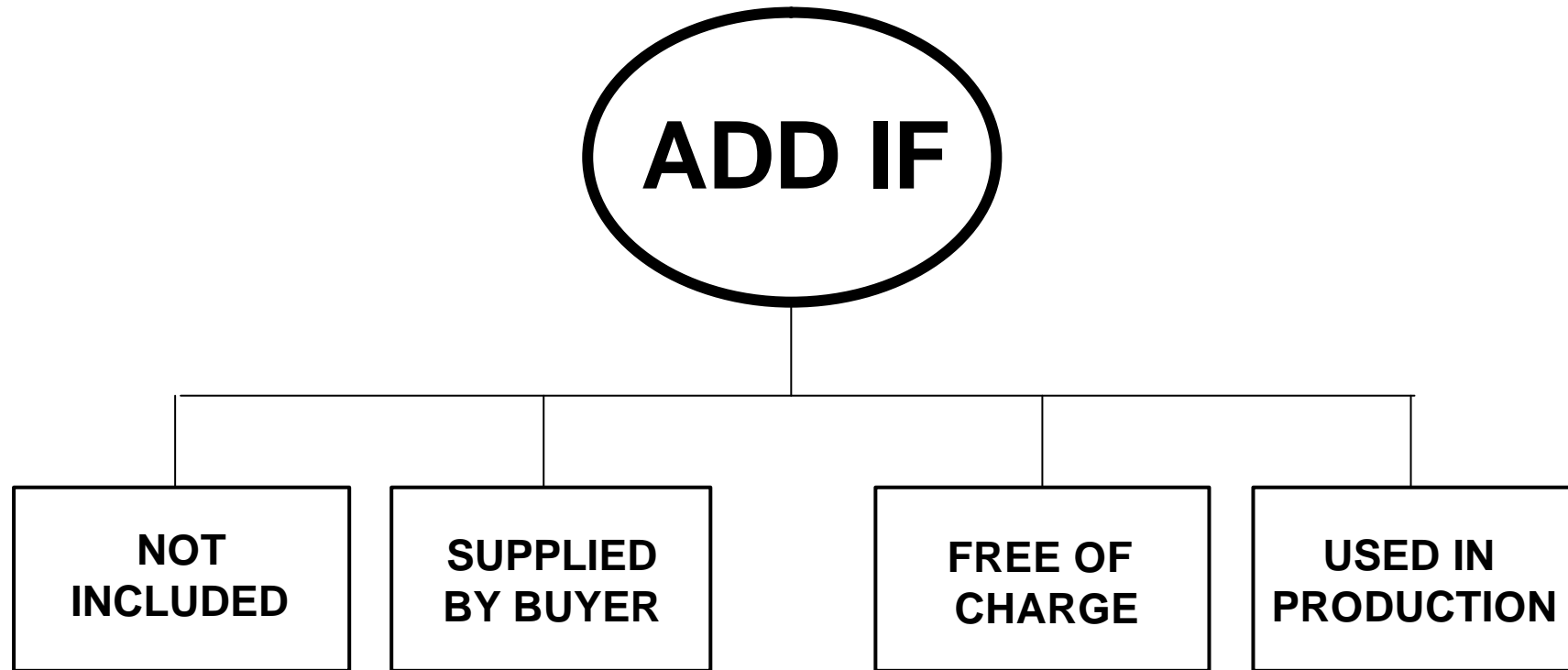


**What
are
They ?**

ASSISTS - ARTICLE 8(b)

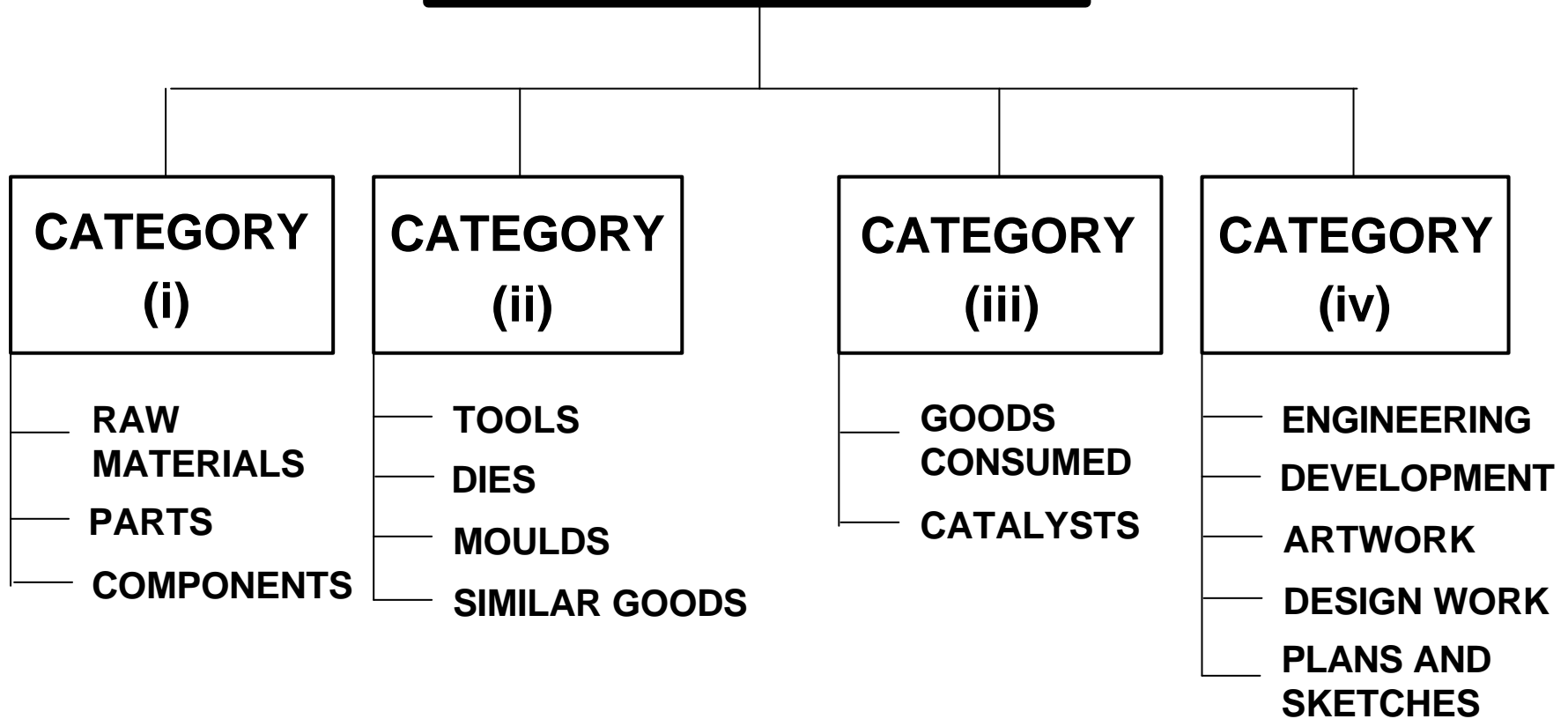
The value of certain goods and services supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods.

ASSISTS



ASSISTS

CATEGORIES



Effect of Assists

WITHOUT ASSIST:

Cloth supplied free to
manufacturer = 25,000;

Processing charge
= 10,000;

Total value of goods
= 35,000

Insurance & Freight
= 1000

CIF Invoice Value
= 11000

Declared Customs Value
= 11000

WITH ASSIST

Cloth supplied free to
manufacturer = 25,000;

Processing charge
= 10,000;

Total value of goods
= 35,000

Insurance & Freight
= 1000

CIF Invoice Value
= 11000

Declared Customs Value
= 36,000

Examples of Assists

Manufacturer supplies to importer

clothing such as suits, skirts, shirts

plastic items such as toys, kitchen utensils

electronics, such as computers, mobile phones

tires

cardboard packaging

Importer supplies to manufacturer

cloth, buttons, labels, patterns or designs

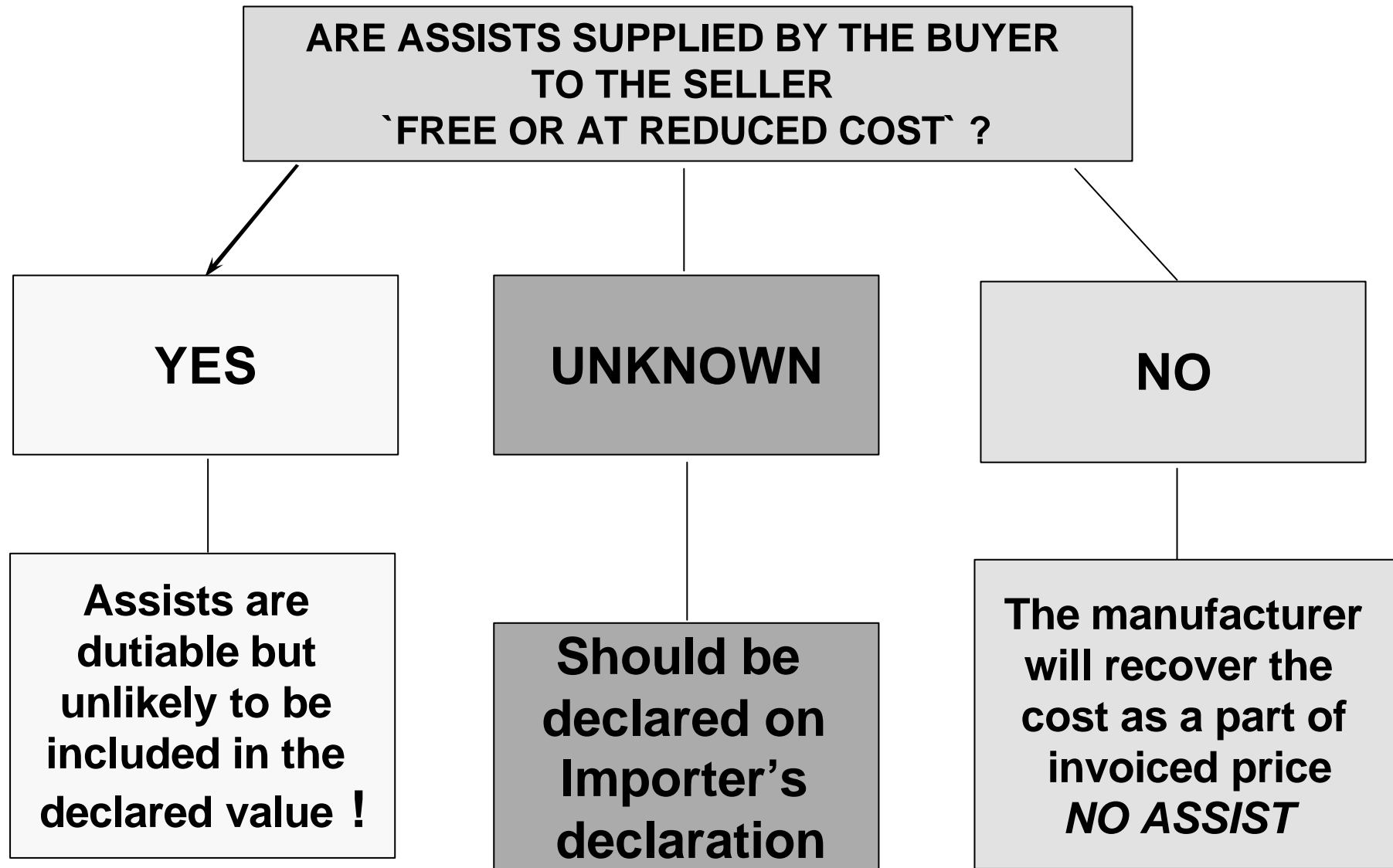
moulds or dies for injection moulding

silicon wafers, electronic components

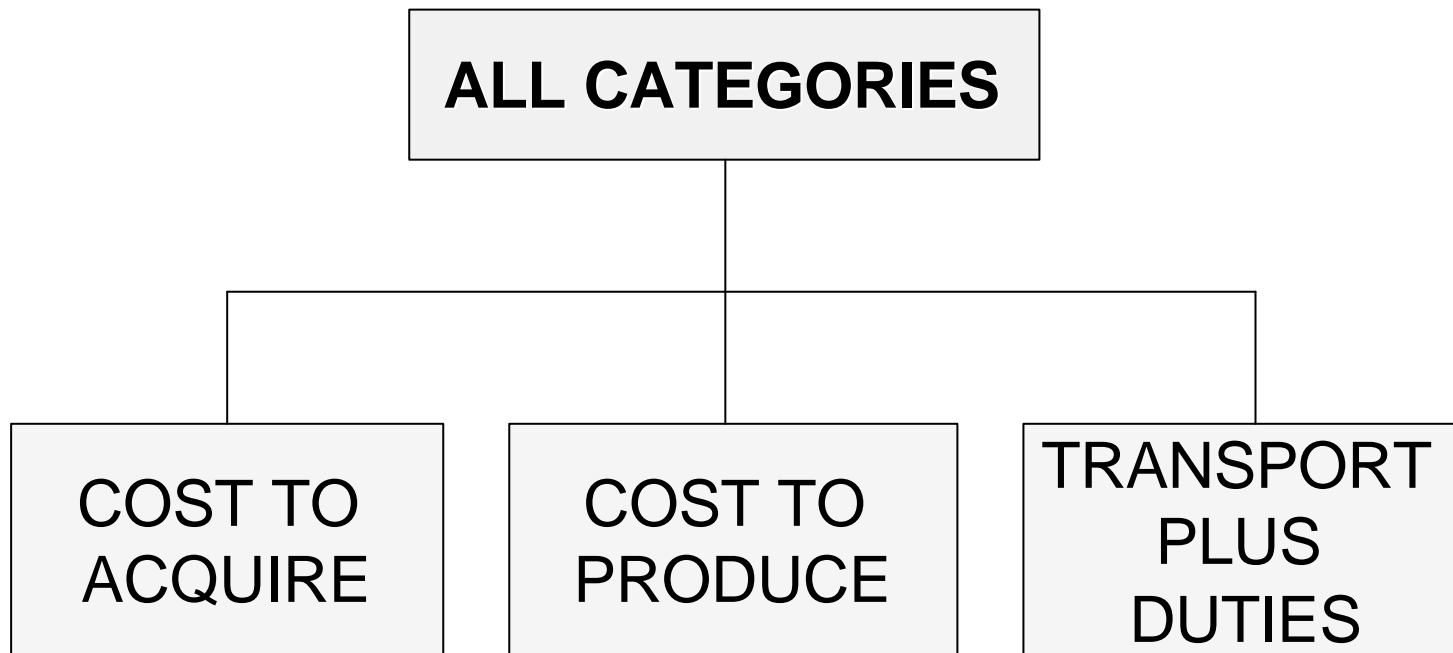
raw rubber

waste paper

The 'Status' of Assists



VALUING AN ASSIST



PERMISSIBLE DEDUCTIONS



Permissible Deductions from the Customs Value (1)

- ❑ Interest charges - subject to written agreement.**
- ❑ Buying commission - other corroboration must be available.**
- ❑ Post - importation work (construction, erection, assembly, maintenance & technical assistance)**
- ❑ Freight costs within the importing country**
- ❑ Payments for right to reproduce**

**Charges Must Be Distinguishable From The Cost
Of The Goods**

Permissible Deductions from the Customs Value (1)

- ❑ Customs duties and other taxes payable in the importing country**
- ❑ Taxes paid in the country of export if such taxes are refunded on export of the goods**
- ❑ Discounts for trade, quantity, or cash payment**
- ❑ Marketing costs included in the price but undertaken in the country of import**

**Charges Must Be Distinguishable From The Cost
Of The Goods**

INTEREST

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graph TD; A[INTEREST] --- B[CHARGES DISTINGUISHED FROM THE PRICE ACTUALLY PAID OR PAYABLE]; A --- C[FINANCIAL ARRANGEMENT IN WRITING]; A --- D[BUYER SHOWS: a) Goods sold at prices claimed, b) Rate of interest is usual];
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**CHARGES
DISTINGUISHED
FROM THE
PRICE ACTUALLY
PAID OR
PAYABLE**

**FINANCIAL
ARRANGEMENT
IN
WRITING**

BUYER SHOWS:
a) Goods sold at
prices claimed
b) Rate of interest
is usual

**MAINTENANCE
& TECHNICAL
ASSISTANCE
EXPENSES**



**A contract of sale for capital goods
such as plant or machinery may
provide for initial services, essential:**

- to the erection of the goods**
- to the installation of the goods**
- to the use of the goods**
- (including the loan of specialised staff)**

**In principle, the consideration for such services
is NOT part of the dutiable value**

What is the Value for Duty?

Imported into Mongolia: 100 Hi-fi units, C&F value \$6,000
What else is dutiable?

Provision of 200 CD drives @ \$20 each	\$ 2,000
Moulding for 200 units - \$5,000	\$ 2,500
Royalty to Dolby @ \$1 per unit	\$ 100
Design costs in Mongolia \$1,000	\$ 000
Insurance @ 1.5% of c&f value	<u>\$ 90</u>
Additional Value for duty	= \$ 4,690