

Methods of Valuation

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Methods of Valuation

1. Transaction Value (Article 1)
2. Transaction Value of Identical goods (Article 2)
3. Transaction Value of Similar goods (Article 3)
4. Deductive Method (Article 5)
5. Computed Method (Article 6)
6. Fallback Method (Article 7)

Each method must be tried in order of hierarchy.

However, the importer may choose the order of application of Methods 4 & 5 (Article 4)

The Transaction Value of Identical Goods (Article 2)

“ the customs value shall be the transaction value of identical goods sold for export to the same country of import at about the same time as the goods being valued ”

Article 2 Conditions

- ❏ **same commercial level & much the same quantity where possible, or**
- ❏ **different commercial level and different quantity if the transaction value can be adjusted to take account of the differences on the basis of demonstrable evidence.**

Definition of "Identical"

The goods are the same in all respects, i.e.

- **sold for export to the same country of importation**
- **of the same quantity, commercial level, quality and reputation,**
- **of the same physical characteristics,**
- **at about the same time**

**minor differences in appearance would
not preclude goods from being regarded as identical.**

The Transaction Value of Similar Goods (Article 3)

“ the customs value shall be the transaction value of similar goods sold for export to the same country of importation and sold at about the same time as the goods being valued ”.

Definition of "Similar"

Goods which are not alike in all respects

BUT

- **Must have like characteristics**
- **Must have like component materials**
- **Must be able to perform the same functions**
- **Must be commercially interchangeable**
- **Must be produced in the same country**
- **Must be of similar quality and reputation**
- **Trademarks must be considered**

COMMON REQUIREMENTS

- IDENTICAL / SIMILAR IN RELATION TO IMPORTED GOODS**
- PRODUCED IN SAME COUNTRY**
- IDENTICAL / SIMILAR IN RELATION TO IMPORTED GOODS**
- SAME QUANTITY AND COMMERCIAL LEVEL AS IMPORTED GOODS OR ELSE ADJUSTED FOR ANY DIFFERENCES**
- WITH TWO OR MORE POSSIBLE PRICES, SELECT THE LOWEST**

HIERARCHICAL ORDER

1. IDENTICAL - SAME LEVEL

2. IDENTICAL GOODS - DIFERENT LEVEL

3. SIMILAR GOODS - SAME LEVEL

4. SIMILAR GOODS - DIFERENT LEVEL

The Deductive Method (Article 5)

The customs value is based on the selling price in the country of import, of the goods or identical or similar goods sold in the greatest aggregate quantity at or about the time of the importation of the goods.

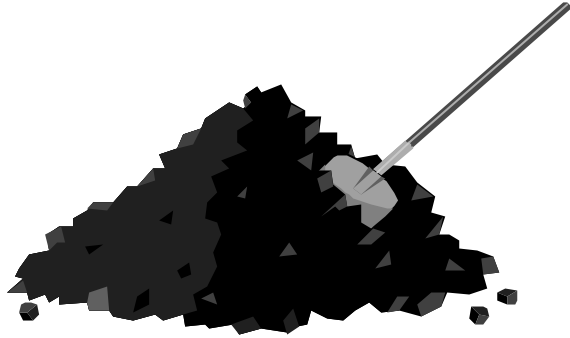
Subject to deductions for the following:

- COMMISSIONS OR PROFIT AND GE**
- CUSTOMS DUTIES AND TAXES**
- TRANSPORT AND INSURANCE**
- COSTS INCLUDED UNDER ARTICLE 8.2**

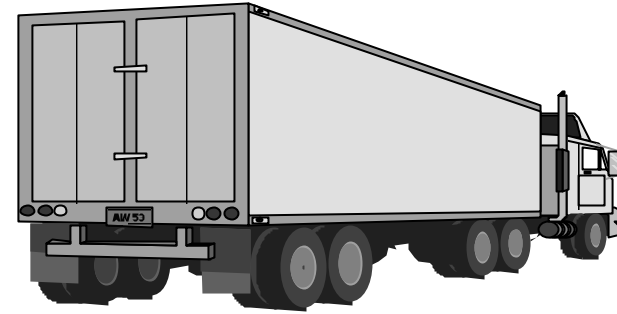
The Computed Method (Article 6)

is defined as the sum of the following:

- ☞ the cost or value of materials and fabrication or other processing employed in producing the imported goods;
- ☞ an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as goods being valued which are made by producers in the country of exportation for export to the country of import;
- ☞ the cost or value of all other expenses necessary to reflect the valuation option chosen by the Party under Art. 8.2

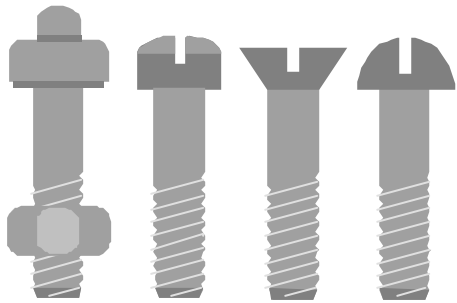


RAW MATERIALS

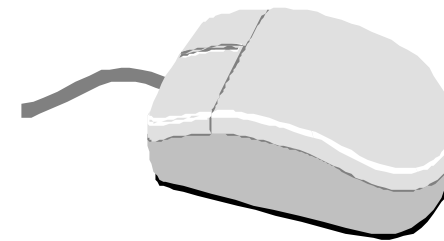


TRANSPORT OF MATERIALS

Article 6.1 (a)



SUB-ASSEMBLIES



PREFABRICATED COMPONENTS

Not to be included in the cost of materials

- any recoverable amounts from either scrap or waste
- the amount of any internal tax imposed by the country of production

Fabrication costs would include:

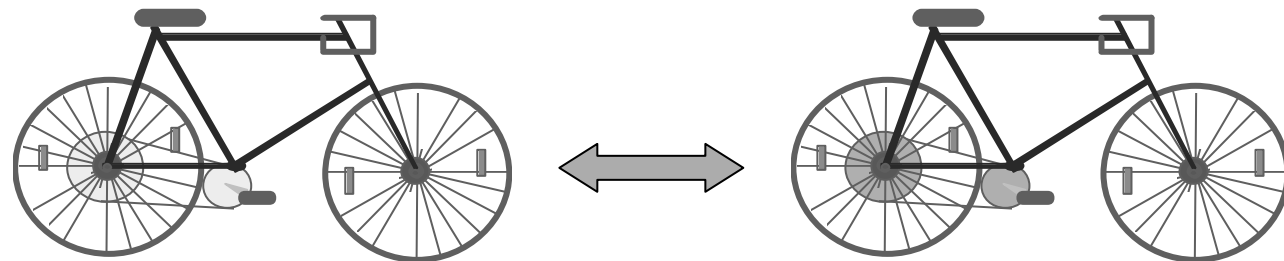
- all costs for direct labor
- all assembly costs
- machinery costs
- indirect costs such as plant supervision, plant maintenance, overtime

Article 6.1 (b)

Provides that we include an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to the country of importation.

Goods of the same class or kind (Article 15)

Are goods which fall within a group or range of goods produced by a particular industry or industry sector and includes identical or similar goods



General expenses: Costs not covered by 6.1 (a)

- rent
- purchase of capital equipment
- amortization of equipment
- electricity, water, heat and other utilities
- legal fees
- office salaries
- office equipment
- marketing expenses
- telephone and telegraph
- employee benefits

The Fall-back Method (Article 7)

The customs value shall be determined:

- ❑ USING REASONABLE MEANS**
- ❑ CONSISTENT WITH THE PRINCIPLES OF THE AGREEMENT AND ARTICLE 7 OF THE GATT**
- ❑ ON THE BASIS OF DATA AVAILABLE IN THE COUNTRY OF IMPORTATION**

NOTE 1 TO ARTICLE 7

“CUSTOMS VALUES DETERMINED UNDER THE PROVISIONS OF ARTICLE 7 SHOULD, TO THE GREATEST EXTENT POSSIBLE, BE BASED ON PREVIOUSLY DETERMINED CUSTOMS VALUES.”

NOTE 2 TO ARTICLE 7

“THE METHODS OF VALUATION TO BE EMPLOYED UNDER ARTICLE 7 SHOULD BE THOSE LAID DOWN IN ARTICLES 1 THROUGH 6, INCLUSIVE, BUT A REASONABLE FLEXIBILITY IN THE APPLICATION OF SUCH METHODS WOULD BE IN CONFORMITY WITH THE AIMS AND PROVISIONS OF ARTICLE 7.”

No customs value shall be determined under the provisions of Article 7 on the basis of:

- ❑ The selling price in the country of importation of goods produced in such country**
- ❑ A system which provides for the acceptance for customs purposes of the higher of the two alternative**
- ❑ The price of goods on the domestic market of the country of exportation**
- ❑ The cost of production other than computed values determined under the provisions of Article 6**
- ❑ The price of goods for export to a country other than the country of import**
- ❑ Minimum customs values**
- ❑ Arbitrary or fictitious value**

NOTIFICATION

If the importer so requests, the importer shall be informed in writing of the customs value determined under the provisions of Article 7 and the method used to determine such value.