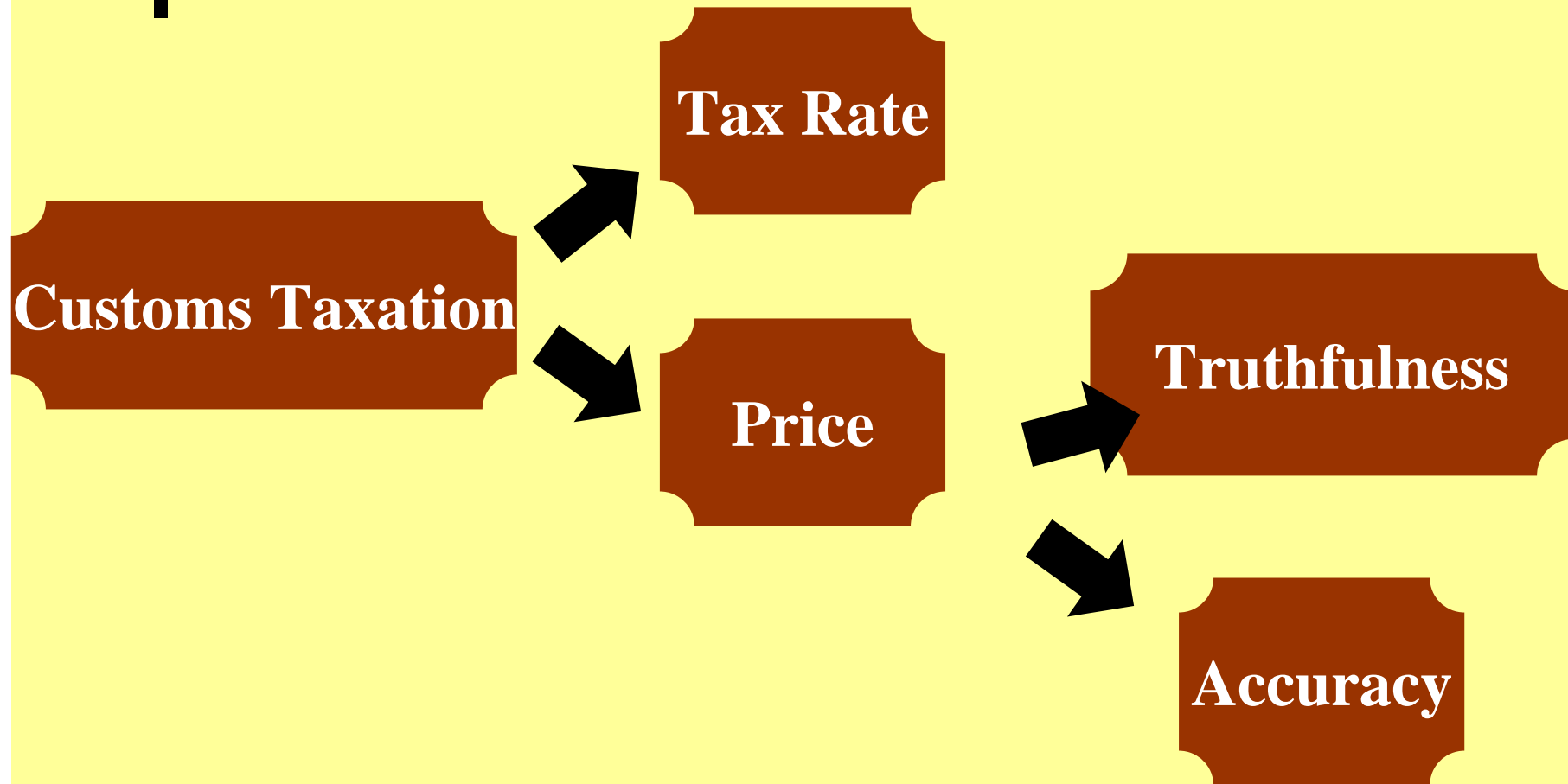


International Trade from the Perspective of Customs Valuation

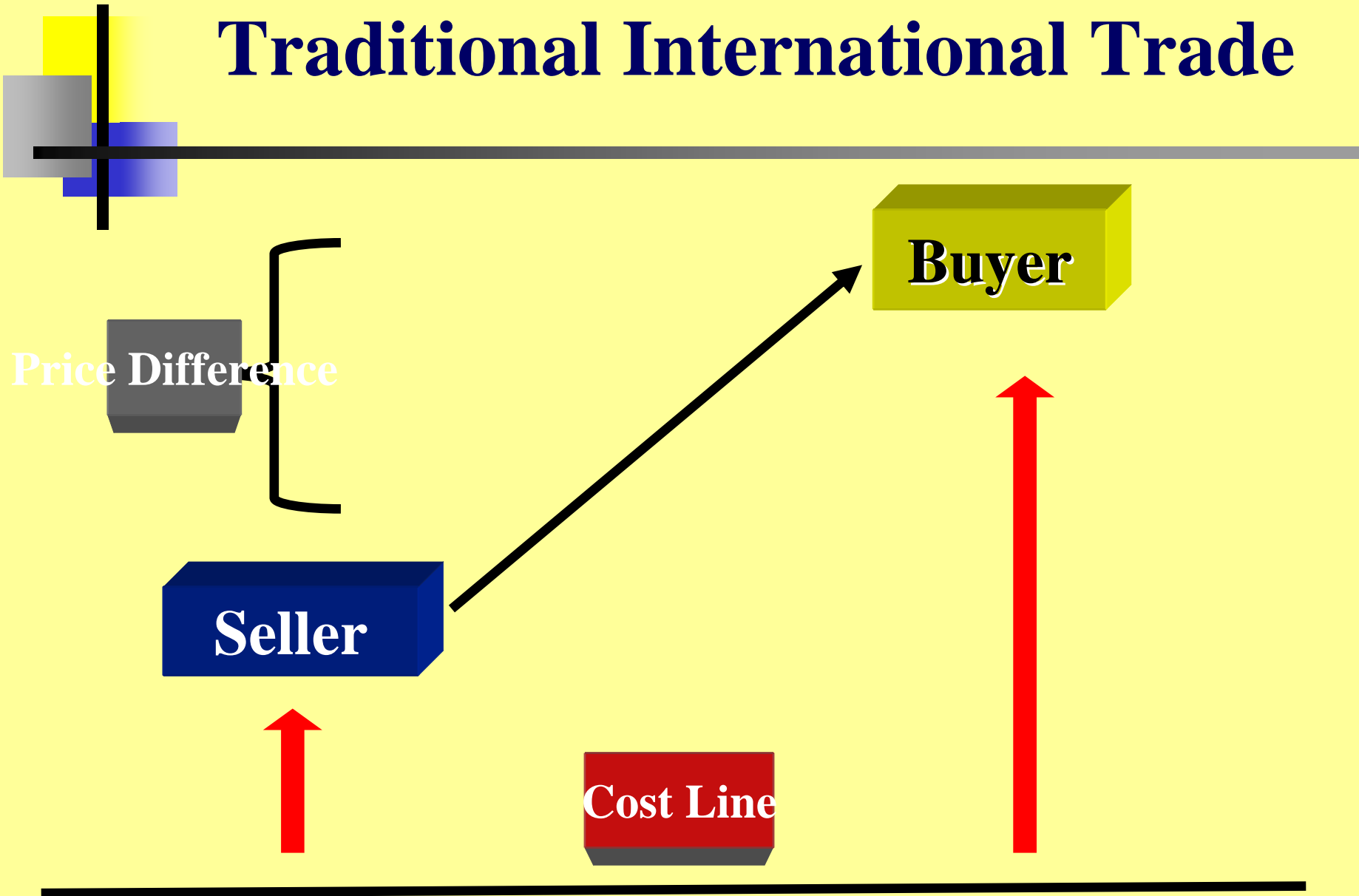
By Shu Fangqin

**From Shanghai Commodity Price Information
Office, General Administration of Customs of the
People's Republic of China**

What Does Customs Valuation include?



Traditional International Trade



International Trade based on Global Division of Labour

**The Third Party
Raw Materials**

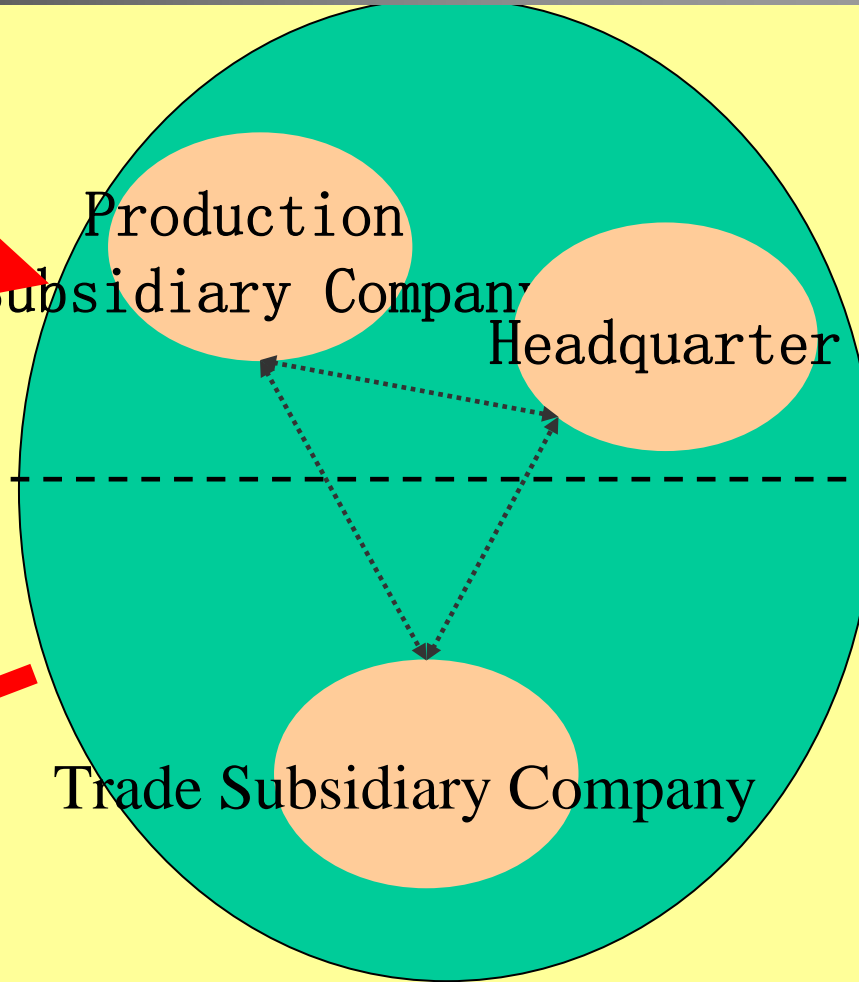
Production
Subsidiary Company

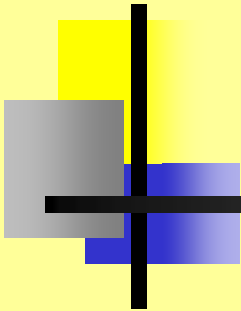
Headquarter

Border
Line

**Domestic End
Users**

Trade Subsidiary Company





Who Should Answer Customs' Valuation Questions?

How is the import price set?

- #Logistics Department?**
- #Commerce Department?**
- #Financial Department?**
- #Legal Department?**



What Is Customs Valuation?

Customs valuation refers to the working process, where in order to collect tariff, the customs determines the dutiable price of imported and exported goods and articles according to the valuation principles specified in the tariff laws and regulations.

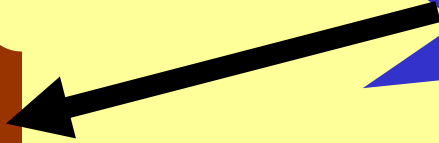
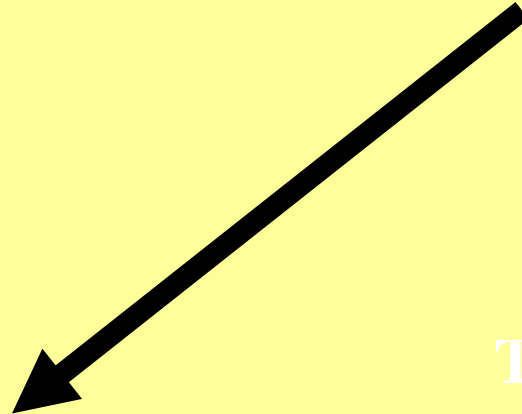
Is customs valuation particular to China?

WTO Valuation Agreement

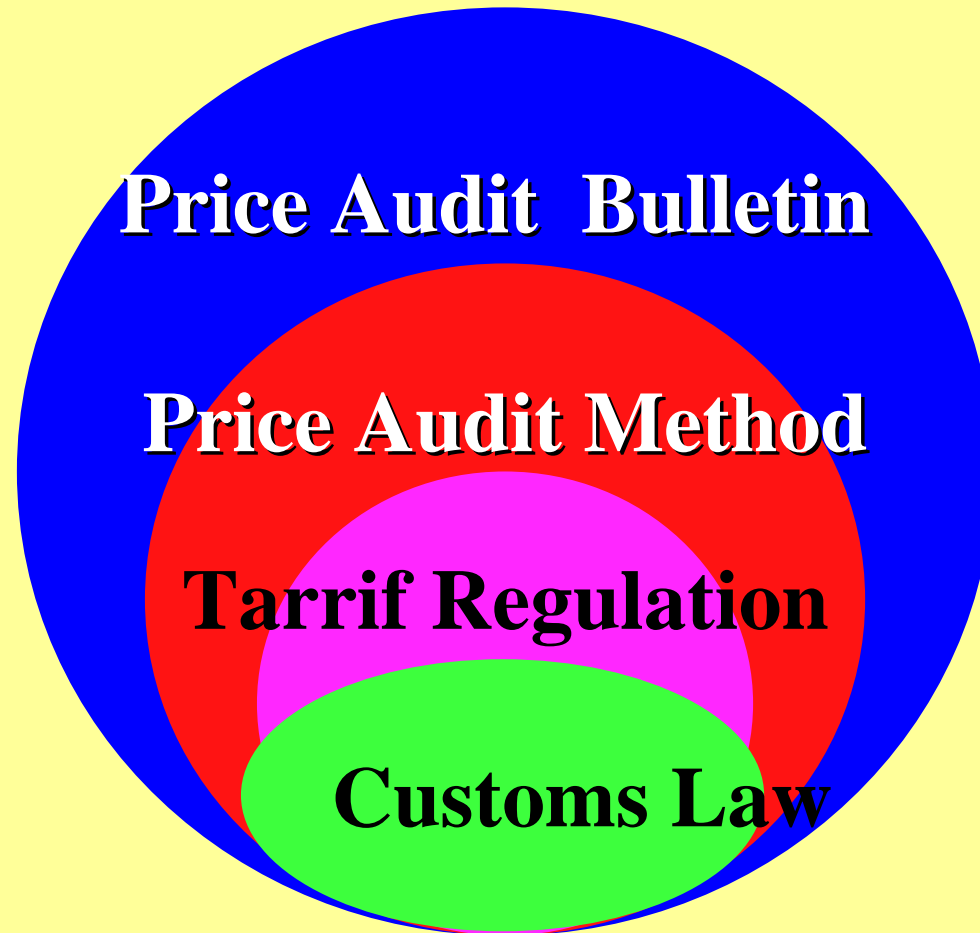
WCO Valuation Document

The National Conditions of China

Order 148



The Legal Hierarchy of Customs Valuation



Principles of Customs Valuation

China	WTO
<ul style="list-style-type: none">ObjectiveFairUniform	<ul style="list-style-type: none">FairUniformNeutral



Structure of Order 148

Article One: General Principles

Article Two: Dutiable Price of Imported Goods

Section 1 Determination of Dutiable Price of Imported Goods

Section 2 Valuation of the Purchase Price

Section Adjustable Items of the Purchase Price

Section Special Relations

Section Other Valuation Methods in addition to the Purchase Price Valuation Method

Article Three: Dutiable Price of Special Imported Goods

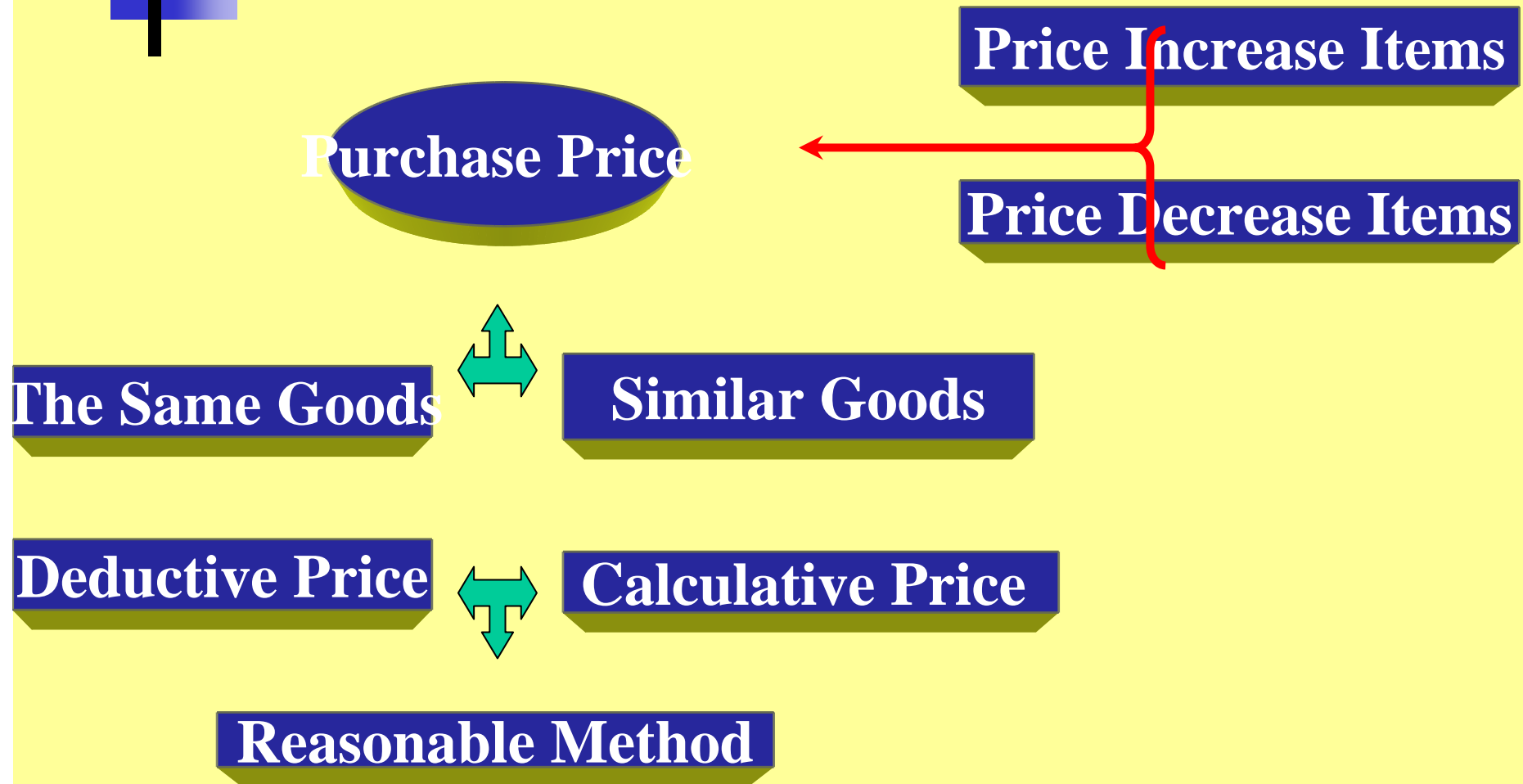
Article Four: Calculation of Transportation Fees and Insurance Fees in the Dutiable Price of Imported Goods

Article Five: Dutiable Price of Exported Goods

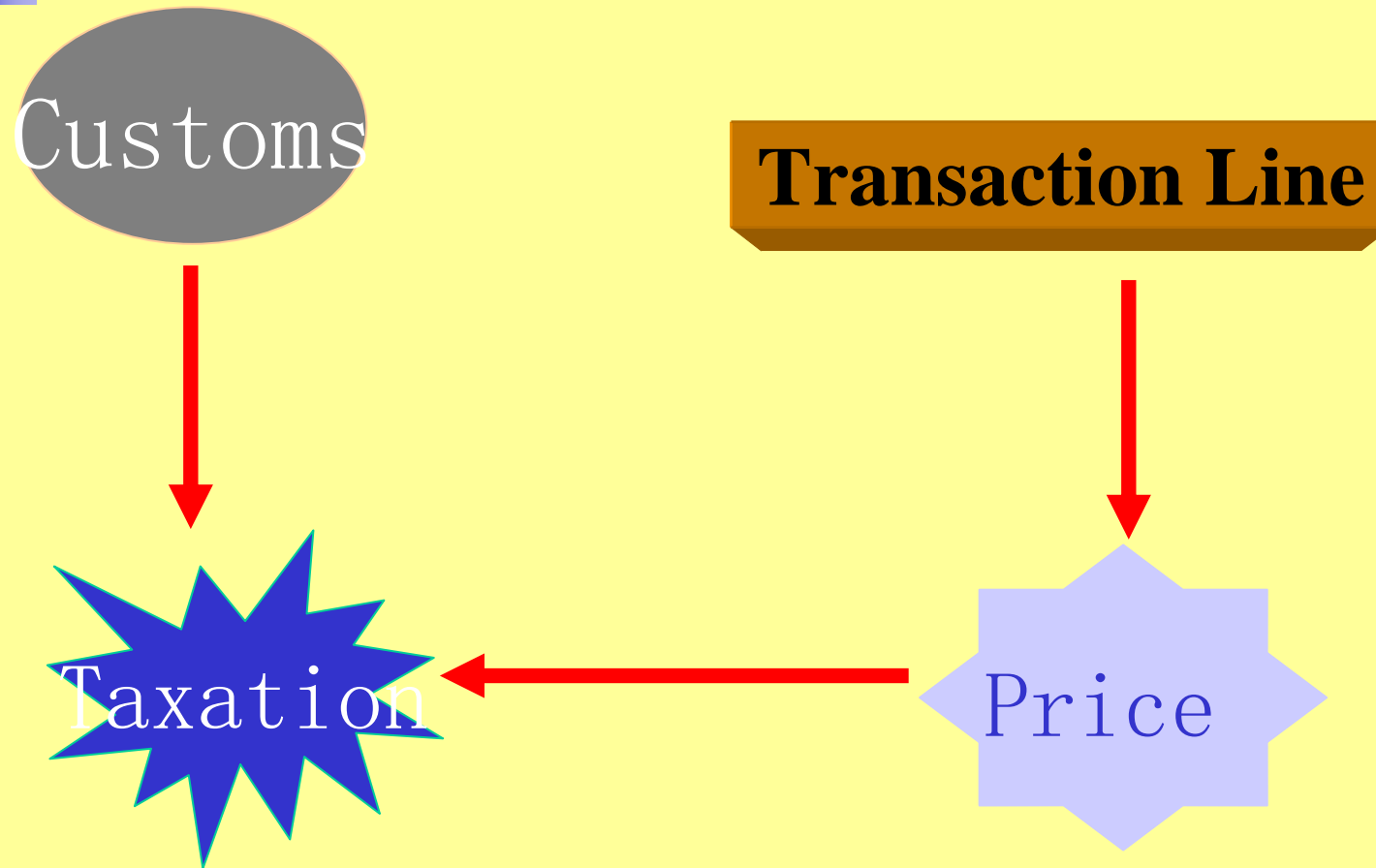
Article Six: Examination and Determination of the Dutiable Price

Article Seven: Appendix

Valuation Method



Purchase Price Comes from International Trade

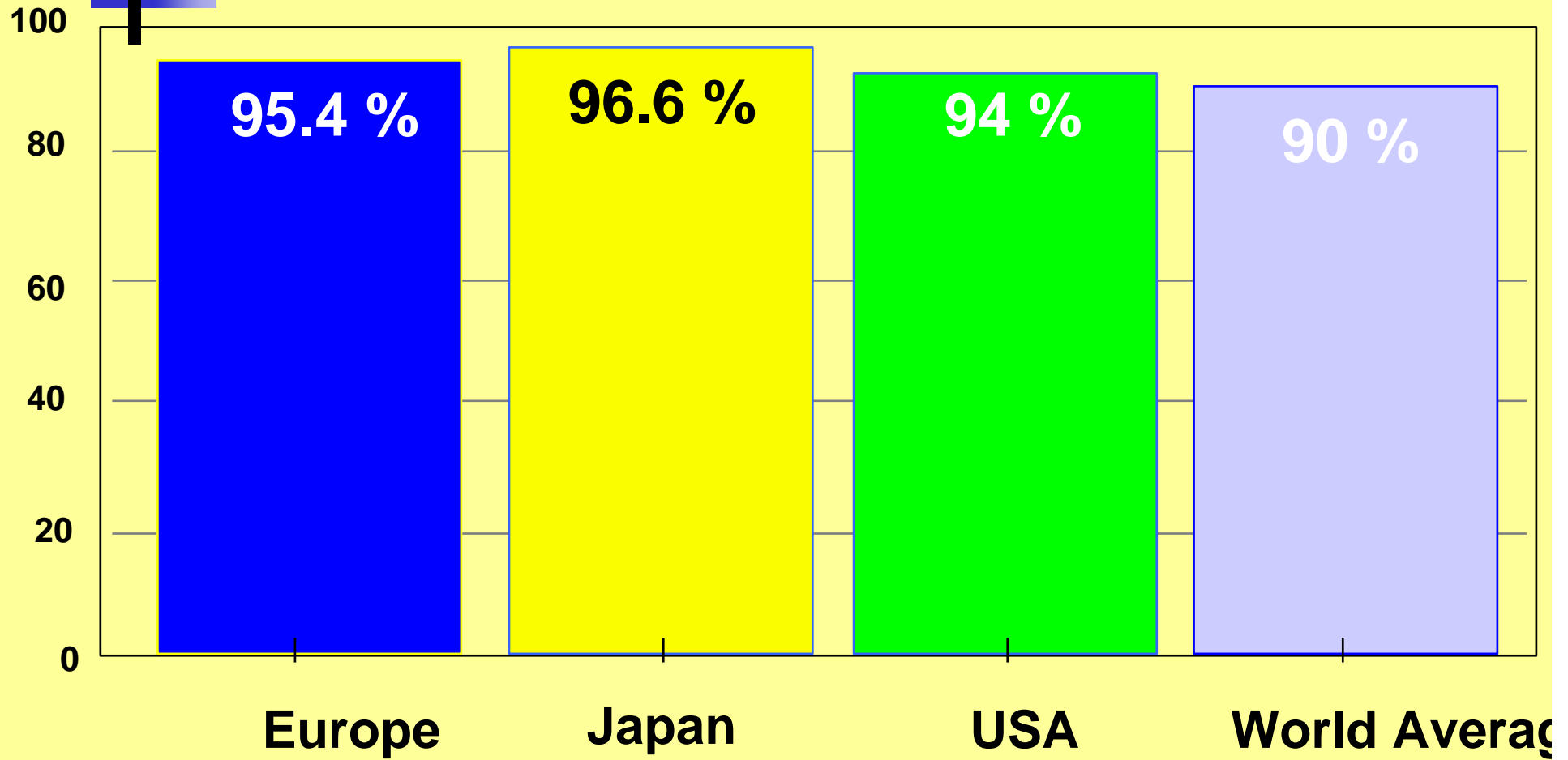




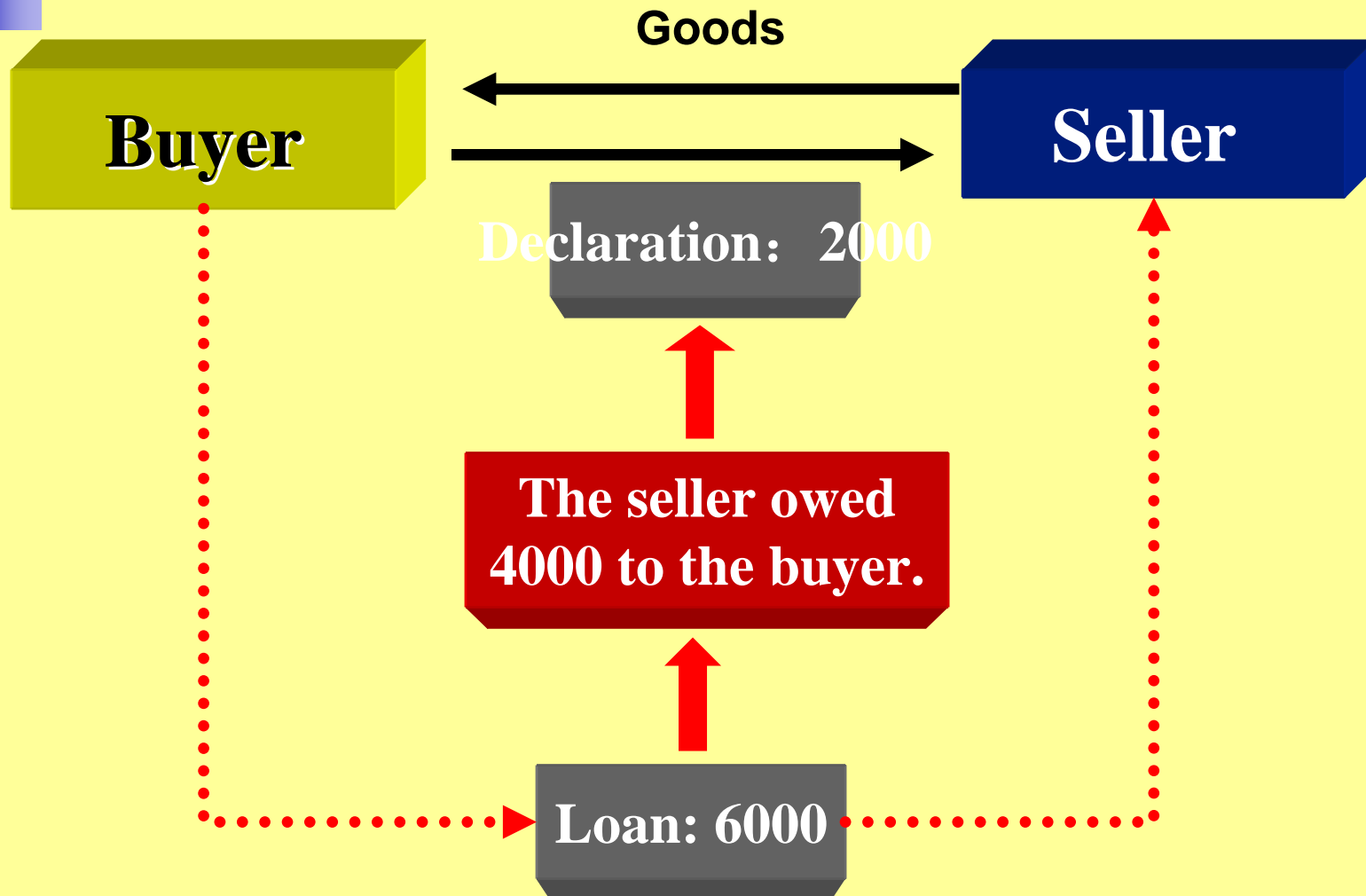
Definition of Purchase Price

Purchase Price is the actual and payable price that the buyers has to pay the seller in order to import the goods when the seller exports the goods to China, including both direct and indirect payment.

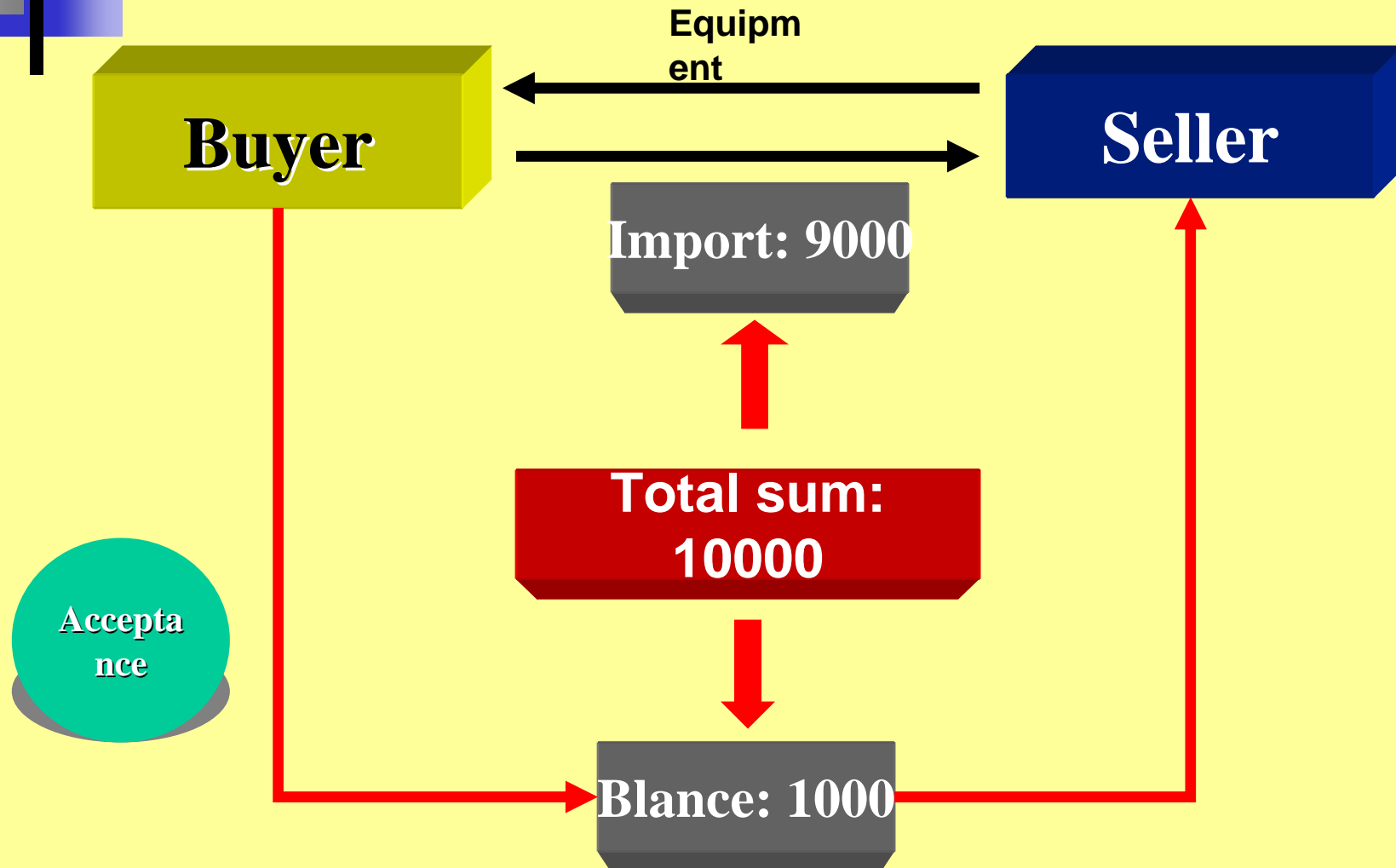
Utilization Rate of Purchase Price



Indirect Payment



Payable Price





Conditions of Purchase Price

No restrictions to the handling or utilization of goods by the buyer.

The price of imported goods shall not be affected by the conditions or factors that make the purchase price of the goods hard to be set.

The seller shall not benefit directly or indirectly from the sales, handling or utilization of the imported goods.

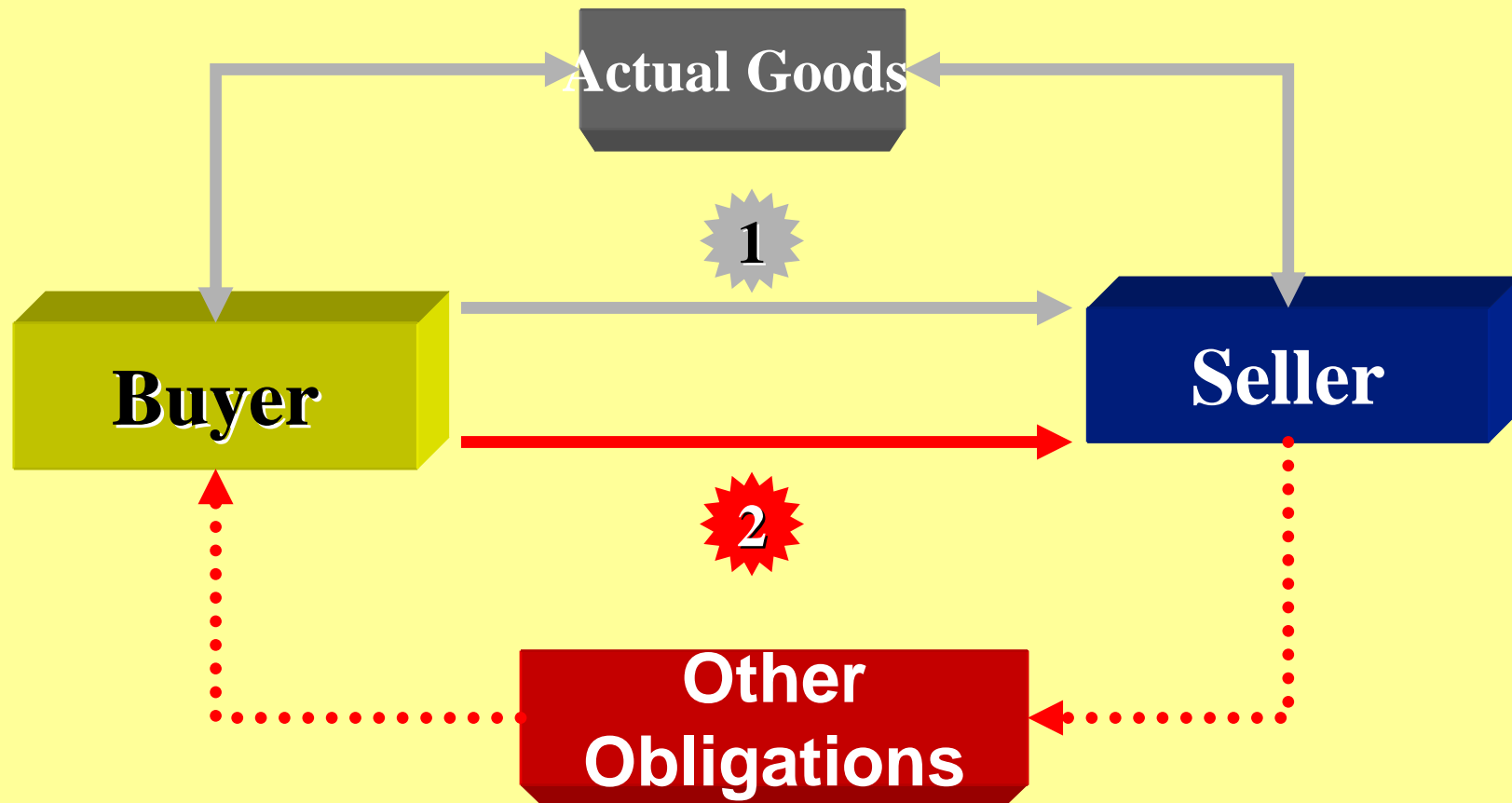
The buyer and the seller do not have special relations or even there are, the relations will not affect the purchase price.



Restrictions that Have Virtual Influence on the Purchase Price

- Where the imported goods can only be exhibited or donated;
- Where the imported goods can only be sold to the the third party;
- Where the imported goods can only be sold to the seller or designated third party after being processed into finished products;
- Other conditions wehre the customs determine upon investigation that the handling or utilization of the goods by the buyer are restricted.

The Purchase Price is Affected by Uncertain Conditions or Factors.



Benefits of Reselling

Buyer

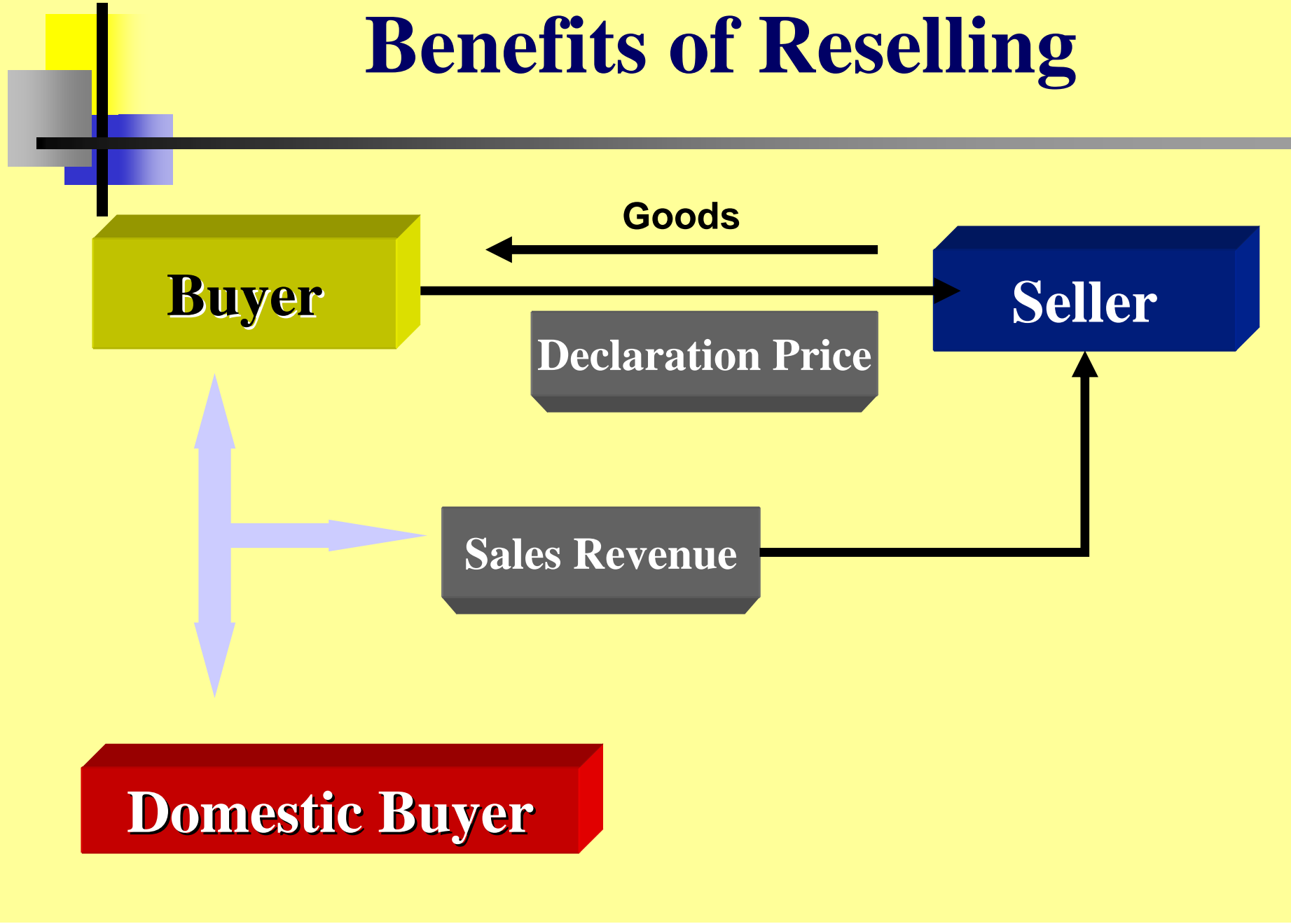
Seller

Goods

Declaration Price

Sales Revenue

Domestic Buyer



Types of Special Relations

The two parties are members of one group.

One party is controlled by the other party directly or indirectly.

One party is the other party's employee, senior staff or board director.

The two parties are controlled by a third party directly or indirectly.

The two parties are each others' senior staff or board directors.

The two parties control a third party directly or indirectly.

The two parties belong to the same family.

One party owns, controls or holds 5% of the shares or equity stocks of the other party.



Analysis of the Influence of Transfer Pricing

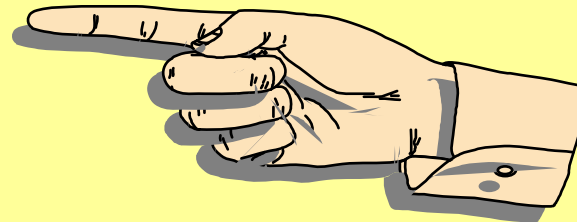
Transfer pricing is the internal pricing of businesses.

Transfer pricing is not restricted by the external economy.

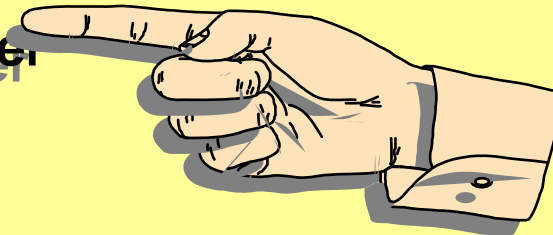
Does transfer pricing constitute fair price?

Check the Sales Environment

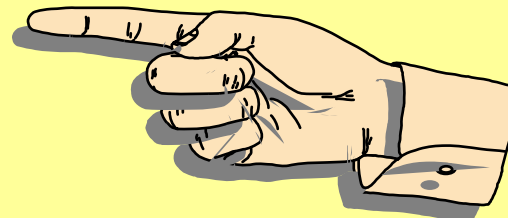
Does it follow the normal pricing practice in the industry?



Does it equal to the sales price of the seller to an unrelated third party?



Is the profit consistent with the profit level of similar goods?

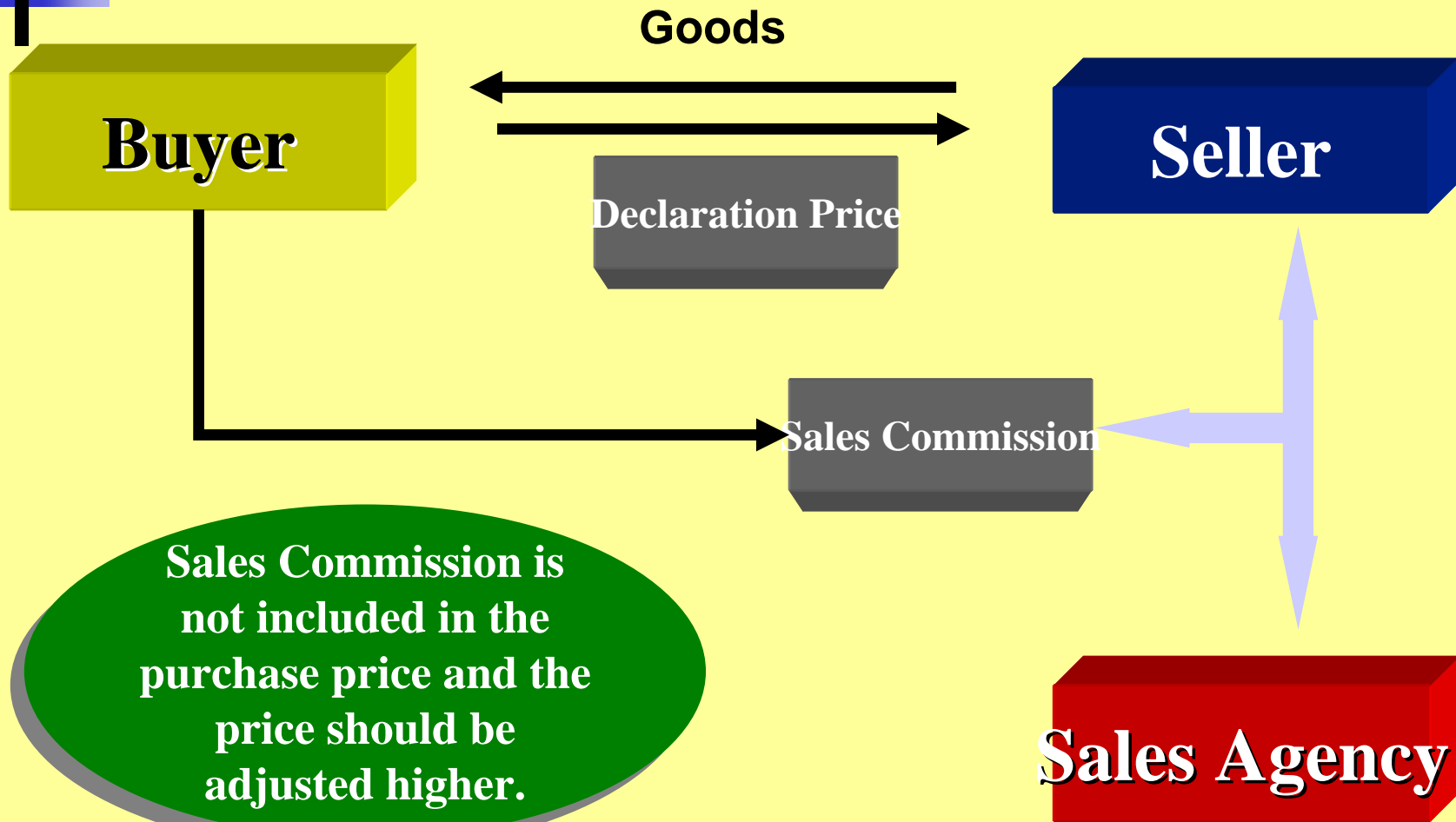




Adjustable Items

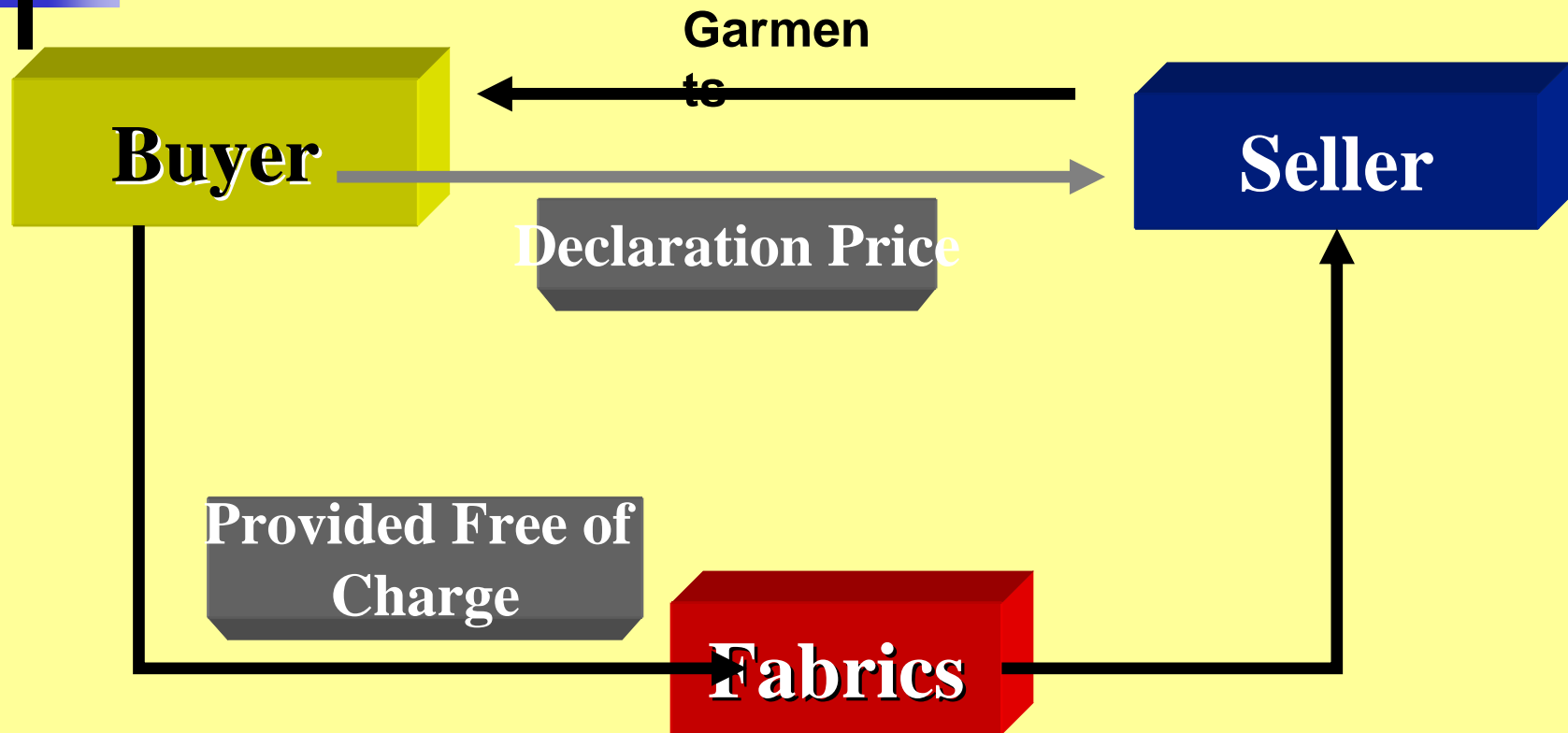
- ✚ Commission and brokerate fee outside goods purchase commssion
- ✚ Fee of the container, an integral part of the goods
- ✚ Packaging material and labor fee
- ✚ Value of assistance
- ✚ License fee
- ✚ Benefits from reselling

Sales Commssion



Sales Commission is not included in the purchase price and the price should be adjusted higher.

Assistance (Case)



Conclusions of the Assistance (Case)

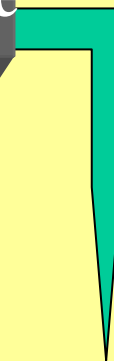
Imported Goods

Invoice Price

Fabrics Value

Garments

Dutiable Price





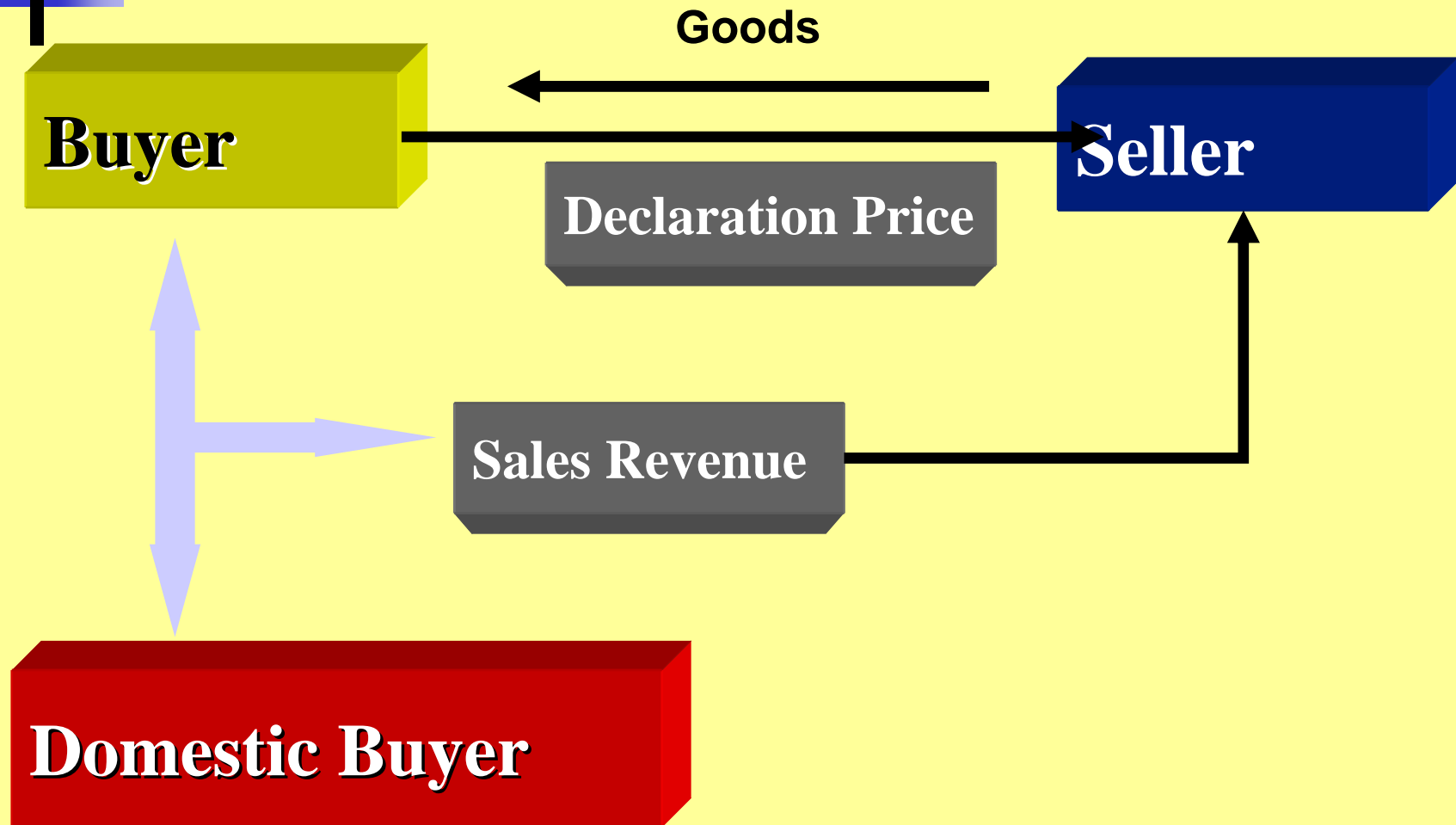
When Is the License fee Taxable?

About Imported Goods

Is one condition of the sales of the imported goods.

Is not included in the actual or payable price.

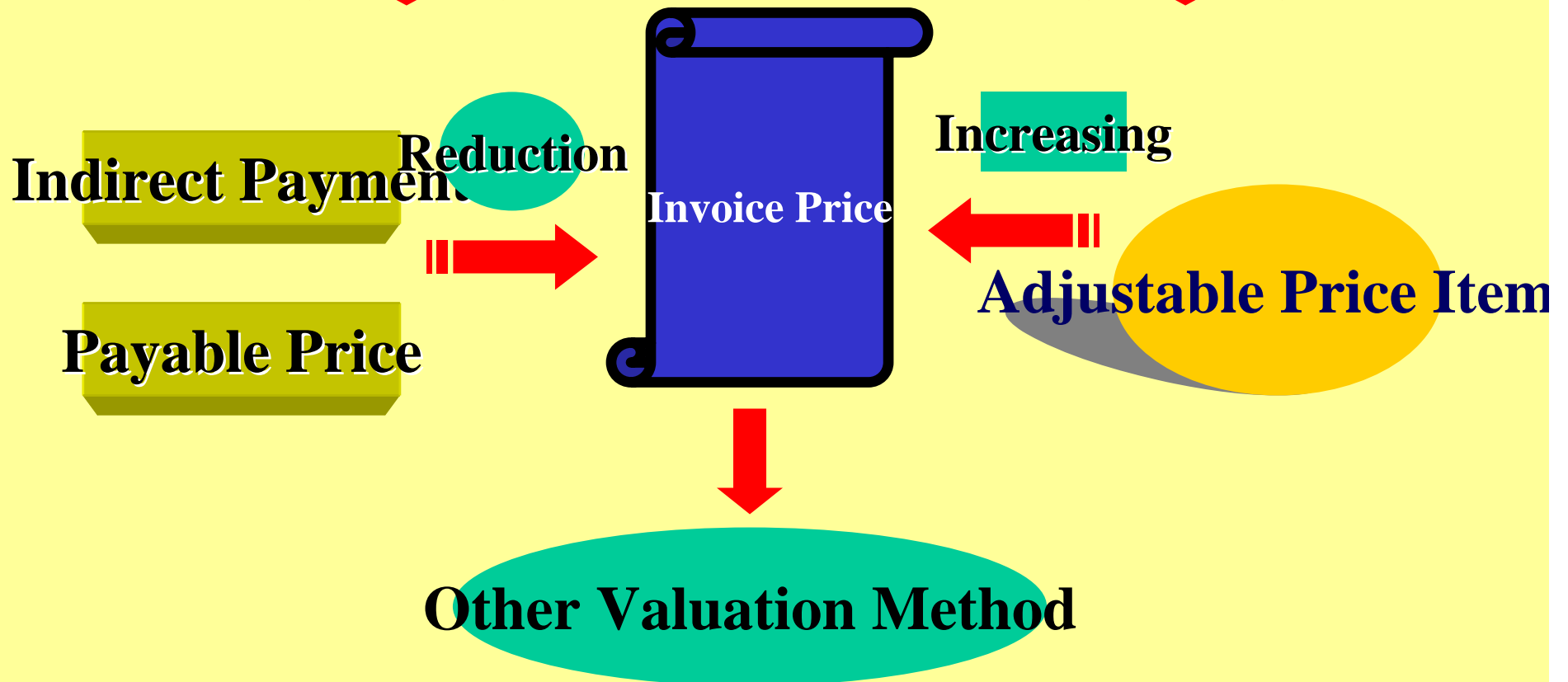
Benefits from Reselling



Process of Valuation

Sold or not sold

Four Conditions



Thank you for your attention.