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VALUATION FOR CUSTOMS PURPOSES

Information paper submitted
by the Customs Co-operation
Council Secretariat

CUSTOMS CO-OPERATION COUNCIL

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General Secretariat
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VALUATION FOR CUSTOMS PURPOSES

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Revised and translated by
the Customs Co-operation
Council Secretariat

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VALUATION OF GOODS FOR CUSTOMS PURPOSES

1. General

(a) Need for a standard definition of value

Amongst the many important questions arising when a Customs tariff is being established, particular attention has to be given to Nomenclature and Valuation.

Although a separate paper has been prepared on Nomenclature, it should be mentioned that the advantages of a standard Nomenclature appear evident even to persons who are not directly concerned with the technical aspects of a tariff system. On the other hand, the need for a standard definition for the valuation of goods is often overlooked. This is explained, no doubt, by the fact that valuation is both a subjective concept and a matter of intuition. When one speaks of the value of an object, everyone is ready to give his own impression which in fact is no more than the value that that object has for the person concerned, according to the importance he attaches to the various elements entering into the notion of value, which need not be analysed here.

Persons who are more or less directly interested in tariff questions have long been convinced of the advantages to be derived from a standard system or norm for the valuation of goods, which would end the diversity of criteria used in certain national legislations on this subject.

It has already been mentioned that a tariff system must rest on two main bases, Nomenclature and Valuation. However, these factors could be put in the reverse order. Valuation is of capital importance, because it has an incidence not only on the fixing of the rates applicable but also on the calculation of the amounts of Customs duty payable. In other words, if it is wished to ascertain the level of protection to be accorded to any particular product, one of the first things to be known is : how will this product be valued ?

This question leads to the heart of the problem : that of avoiding that simple manipulation of the valuation system will alter the protection given to a particular product. The main advantage resulting from the adoption of ad valorem duties, instead of specific duties, is to maintain the level of protection constant. But this advantage might be whittled away, and even turned into a disadvantage, if the level of protection could be changed by alterations in the valuation system or by the adoption of systems enabling assessment at arbitrary or fictitious values.

A bilateral or multilateral tariff agreement might be rendered pointless if the Contracting Parties could subsequently modify the results obtained, simply by altering the valuation system or the criteria used in that system.

The level of protection previously fixed by the tariff would be increased by an additional step of "administrative protection" i.e. the recourse to systems of valuation which in certain countries enable goods to be valued on an arbitrary or fictitious basis.

The adoption of such systems which are left to the free volition of Administrations - for example the use of official values or prices - might well lead certain governments to ask, on the occasion of new negotiations, that the official values be bound at the same time as the negotiated rates of duty, in order to ensure that any advantages obtained would not be offset by the application of these systems of valuation. This would be as prejudicial to the countries concerned as the consolidation of specific duties.

(b) Customs Valuation at international level

It is not surprising therefore that customs valuation became the subject of discussion in international commercial circles. At the Economic Conferences held under the auspices of the League of Nations in Geneva in 1927 and 1930, there was pressure for action on the lack of equity of certain valuation procedures. These first moves achieved no more than a statement that further enquiry was desirable. But commercial interests continued the campaign.

At Geneva, in 1947, the United Nations Conference on Trade and Employment reached agreement, for the first time in history, on an international policy for customs valuation.

The findings of the Conference held at Geneva in 1947 were embodied in the General Agreement on Tariffs and Trade (G.A.T.T.) signed at Geneva on behalf of 23 nations on the 30th October 1947. The valuation provision is Article VII of this Agreement. In brief, it calls for the standardisation, as far as practicable, of definitions of value and of procedures for determining value, and lays down certain principles in this connection.

Shortly after the adoption of Article VII of the G.A.T.T., the next step in the development of international co-operation in valuation procedure was taken by the European Customs Union Study Group.

The Group was set up in 1947 in Brussels. Its technical work was carried out by a Customs Committee which appointed a Valuation Sub-Committee to draft a c.i.f. definition of value for use in a customs union and to study the methods and procedures under which it could be applied.

Before commencing this work it was found necessary, having regard to the fact that a single definition of value, of precise application, had to be drafted, to particularise the general principles of Article VII of the G.A.T.T. The "Brussels Principles" (1) were therefore first drawn up, and on this foundation a definition of value suitable for use in a European Customs Union was drafted.

(1) These principles are set out in the official text of the Explanatory Notes on Customs Valuation, published by C.C.C. in 1960.

This work was completed by the middle of 1949, and the Study Group considered that it would be desirable to embody the results achieved in an international Convention.

(c) Convention on the Valuation of goods for Customs purposes

The definition of value produced by the Study Group in 1949, adapted for use by any country wishing to apply a c.i.f. ad valorem tariff, was incorporated in the Convention on the Valuation of goods for Customs purposes which was signed in Brussels on the 15th December 1950, and is at present applied by sixteen countries.

The Convention contains provisions for securing uniformity of application, both of the Convention itself and of the Definition which it embodies, by countries in which it is in force. It therefore provides for the establishment of a Valuation Committee having specific supervisory and co-ordinating functions, mainly in relation to interpretation and application of the Definition, which are exercised under the authority of the Customs Co-Operation Council and in accordance with its directions. This Committee was established by the Council on the 28th July 1953, the date of entry into force of the Convention, and meets three times a year.⁽¹⁾

(d) Unification of the definition in economic associations

The advantages of a standard definition of value for Customs purposes have already been described. While in general it is recommended that all countries use a definition of value and a tariff nomenclature which are uniformly applicable, it is indispensable that countries which take part or intend to take part in an economic association should agree on such a definition. The tariff concessions provided for in the Montevideo Treaty may lose much of their value, if the countries concerned use different valuation systems.

In addition, valuation according to different criteria may lead to diversion of traffic in respect of certain goods, according to the level of protection afforded by the Customs tariffs of the Member countries, although in theory this should not occur. It should be mentioned here that the Members of the European Common Market are also Contracting Parties to the Valuation Convention and that they therefore apply the "Brussels Definition" incorporated in that Convention.

Annex B to the Convention establishing the European Free Trade Area (E.F.T.A.), defines "value of goods" or "export price" (Rule 3, Paragraph f), in terms of the Brussels Definition. This is only logical, since all the Members of the Association, except Norway and Switzerland, are also Contracting Parties to the Valuation Convention.

(1) The present Members of the Committee are : Austria, Belgium, Denmark, France, Germany (Federal Republic of), Greece, Haiti, Ireland, Italy, Luxembourg, Netherlands, Pakistan, Portugal, Sweden, Turkey, United Kingdom of Great Britain and Northern Ireland.

(e) Adoption of a common definition of value

Two methods can be followed in the adoption of a common definition of the value of goods : either draw up an ad hoc definition or adopt one of the definitions already in existence.

However, before the Working Party examines this alternative, it may be useful to say a few words about what may be described as the modern theory of valuation for Customs purposes, about the concepts that can be adopted and about the elements that enter into a definition. Similarly, it may be useful to examine the criteria applied in various countries, taking account of the fact that apart from the group of countries which have adopted the Brussels definition and apply it in a uniform manner, there are many differences between the definitions and practices followed in the other countries, even among those which use the same valuation criteria. These explanations are followed by a description and analysis of the definitions drawn up at international level, in the chronological order of their formulation. Finally, some suggestions are made as regards principles and procedures for the practical application of a standard definition.

2. Elements and concepts of a definition of value for Customs purposes(a) The essential elements of a definition of value

Customs valuation has had to move with the times. Modern commercial methods and modern protectionist tariffs have had to be matched by new customs valuation techniques.

These have varied from country to country and some of them have developed complications which have been alleged to present a serious impediment to international trade.

It follows that a return to the simple approach is necessary if a definition is to be formulated in terms ensuring its uniform application and avoiding difficulties liable to cause divergent interpretations in its implementation.

Perhaps the simplest of the early definitions of value was that which required imported goods to be valued at their sale price. Under this standard, goods could be valued at the price at which they were sold at the time and place of valuation, and no further guidance or instructions were needed to arrive at that value.

It has unfortunately not been possible in modern conditions to preserve this simplicity. Nevertheless, the idea of valuation at the sale price at the time and place of clearance is, in fact, the heart or essence of a definition.

(b) Influence on valuation of modern conditions of trade and administration

The formulation of this idea for modern use must take into account features of trade and of administration which did not exist in the past. Amongst these two are of major importance.

The first is that whereas in the past the conclusion of a sale implied nothing more than the exchange of goods for their money's worth, there is now an increasing tendency for sales to be effected conditionally, for example on the performance of services by the buyer for the benefit of the seller. The sale price is influenced by such conditions. Moreover, the extent of such influence varies according to the nature of the conditions. For reasons of equity alone, it was therefore necessary to make provision for such cases to be adjusted to a standard. Normality (or the "standard case") can be regarded as the unconditional exchange of goods for their money's worth, i.e. the standard of a sale in the "open market".

The second modern feature which has to be taken into account is the increasing recourse to litigation in the settlement of disputes in the hope either of reaping benefits from litigation or of countervailing abuses resulting from administrative measures taken under pressure of protectionist influences. This is a fact which must be taken into consideration. It is therefore necessary to give precision to the meaning of the sale price not merely by specifying it to be an open market sale price but additionally by specifying the kind of sale and the terms and conditions of the sale - how and when the sale should be concluded, and at what place the goods should be taken to have been delivered, i.e. the elements of "price", "time" and "place" which must be taken up in any definition.

The place of delivery of the goods must be determined, because it affects the price to be used as a basis for valuation (c.i.f., f.o.b., ex-factory, etc.).

The usual prices chosen are f.o.b. or c.i.f., and the choice may depend upon economic considerations, which may be overriding. If there are no economic factors, the practical method seems to be to choose c.i.f. The reason for this is quite simple. The charging of duty takes place when and where the goods arrive. The goods, the Customs official and the importer or his representative are all together on the spot. It seems to be the obvious course to value them at the time and place when they come together. This is the c.i.f. point. There are other reasons for the choice of the c.i.f. basis but this is the simple issue which will always be found at the root of any other difficulties.

(c) The concepts of value for Customs purposes : the positive approach and the notional approach.

Before analysing further the various elements of a definition of value, and in order to clarify in particular the "price" element, it will be useful to give some explanation of the different concepts on which a definition can be based. The definition adopted will depend on the concept selected, and each concept entails incorporation in the definition of different elements.

The two concepts used are the notional concept and the positive concept. The former can be expressed as "the price at which the goods to be valued would be sold in specified conditions" and the latter as "the price at which goods or like goods are sold in specified conditions".

This may give the impression that the positive concept is the more reasonable, i.e. that the dutiable value of imported merchandise can be taken as their actual sale price if they are sold in the conditions specified in the definition (open market, time, terms of delivery) or, if they are not so sold, as their actual price adjusted as may be necessary to the open market and other conditions specified in the definition.

A definition in these terms would however present difficulties of application.

In the first place it would make no provision for imported goods which were not the subject of a sale, for example goods consigned for sale.

In the second place, whilst adjustment of the actual sale price to specified conditions such as time and place would be practicable, it would frequently be impossible to assess, or even to estimate, the effect upon price of conditions of sale which did not measure up to the standard of "open market".

In most countries the development of commercial and financial relationships between suppliers and importers has brought about the necessity of rejecting certain prices influenced by such relationships.

Finally, even if the conditions of a sale are apparently in conformity with the definition, the price invoiced might, for customs purposes, be fictitious. What is known as "double invoicing" is the commonest example.

Such a price, if it were declared to be the actual price under a definition drawn in terms of the actual sale price, could not be rejected by the Customs unless they were in a position to prove its falsity by establishing the true actual sale price. No Customs Administration could accept the onus of such proof. Moreover situations would arise in which the mere questioning by the Customs of the adequacy of a declared value would imply dishonesty on the part of the declarant. This again would be intolerable.

In all these cases, the declared price must be replaced by a different, more appropriate price. Prima facie, the most appropriate replacement is the price of like merchandise. The positive concept therefore has recourse to the criterion furnished by the price of "like merchandise" freely sold or offered for sale.

The term "like merchandise" is, however, difficult to define and is liable, in practice, to be given an interpretation which may lead to the determination of dutiable values far removed from the true commercial value of the goods presented to the Customs. Moreover, "like merchandise" may not exist. A definition of value based on the positive concept will thus need to be elaborated. Among the provisions which appear to be essential to fill the gaps encountered in the application of the positive concept of valuation is that which involves the use of the cost of production, the determination of which presents further problems of definition.

The difficulties can be obviated by the use, instead of a positive approach, of an abstract approach which does not rely on the concept of the actual open market sale price but takes up and generalises the idea of imported goods being sold in the open market, their value being the price which they would fetch if they were so sold at the time of importation.

It may be asked how an appraiser can imagine an open market sale of the imported goods to be valued and assess a price for such an imaginary sale.

In practice, however, a considerable volume of importations are the subject of open market sales concluded at prices which the experienced appraiser knows to be genuine.

If, in any particular case, the appraiser can be satisfied that the conditions of the actual sale correspond to the conditions of an open market sale, and can also be satisfied that the price is genuine, there is no need for him to invoke the notion of what they would fetch. He can be satisfied that they would fetch what they have in fact fetched, no more, no less.

Where, on the other hand, the appraiser is not satisfied regarding the conditions of the actual sale and the price, his experience of cases in which he is satisfied will provide him with a yardstick for establishing the price which the goods would fetch in the open market conditions contemplated by the Definition.

This experience will also enable him to deal with cases in which there is no sale.

The notional concept thus not only makes provision for valuation to an open market standard of goods which are not the subject of a sale, and of goods which, not having been sold in open market conditions, may be sold at a price influenced by special considerations, but enables a price purporting to be made in open market conditions to be corrected to, or replaced by, another price without need for proof that the purported price was false or for establishing the true actual price and without prejudice to the acceptance of prices which are in fact made in open market conditions.

This concept makes it possible to calculate the duties payable on the basis of the price at which the imported goods are freely available to any buyer in the conditions stated and is applicable whether or not the goods are in fact imported under a contract of sale, and whatever the terms of the contract. It is a single standard uniformly applicable, without alternatives, to every kind of importation.

(d) The incidence on value of quantity and the level of the transaction

Quantity is of course a factor in determining price. But there is another not very dissimilar factor - the level of the transaction - which must also be mentioned.

By the level of the transaction is meant the commercial stage at which a sale is concluded, for instance between a manufacturer and a wholesaler, a wholesaler and a retailer or a retailer and a consumer.

In commercial practice price is more often related to the level of the transaction than to the quantity sold. For example, in the case of fixed priced goods, differences in the level are usually marked by a scale of discounts applied, irrespective of quantity, according to the status - wholesale, retail, etc. - of the buyer. These discounts are no doubt influenced by the fact that wholesalers are buyers of larger quantities than are retailers, and that retailers are buyers of larger quantities than are consumers. But they are related to commercial level rather than to quantity.

True quantity rebates, where the sole criterion is the quantity purchased, are usually additional price reductions granted for the purchase of quantities exceeding those usually purchased. Again, however, these are rarely granted to any buyer, but are limited to buyers at particular commercial levels.

This commercial flexibility would not be respected by a definition of value which required the effect upon price of either quantity or level, or of the two in association, to be determined by reference to a standard quantity or standard level.

If commercial practice is to be respected, a definition must provide for the influence of these elements on the price, and must enable account to be taken, in practice, of their exact incidence in each case.

3. Valuation criteria and methods applied in various countries

(a) Introduction

In view of the short time available, and of the difficulty of collating the basic texts, it has been impossible to prepare a full study of the various criteria adopted in the different countries. However, in order to facilitate the task of the experts taking part in the Working Party, the following commentary has been taken from the "Comparative Study of Methods of Valuation for Customs Purposes", which was carried out by a technical Working Party on Customs Administration set up at the 9th Session of the G.A.T.T. (1)

The following extracts are taken from the first part of this study, which summarises the main systems adopted in the various countries to determine value for Customs purposes, in accordance with the information given by the G.A.T.T. Contracting Parties.

(1) G.A.T.T. - Basic Instruments and Selected Documents - Third Supplement - Decisions, Resolutions, Reports, etc. of the Ninth Session (Geneva, June 1955) pages 103 to 125.

(b) Valuation criteria

It emerges from the information furnished that three main criteria are used :

- (1) the price at which goods comparable with the exported goods are sold in the internal markets of the exporting country ("current domestic value");
- (2) the price at which the imported goods are sold from the exporting country to the importing country ("transaction value");
- (3) the price at which goods comparable with the imported goods are sold in the markets of the importing country ("import market value").

While national legislation introduces various refinements of detail into the definitions of value which are actually applied, these definitions are broadly based on one or other of the above criteria.

Countries adopting the criterion of the current domestic value base their value for duty purposes on the price at which goods comparable with those imported are sold under fully competitive conditions on the domestic markets of the country from which the goods were exported. All countries except one require this price to be declared by the exporter; arrangements are normally made for any necessary verification of the price by officials of the importing country stationed in the exporting country. No account is taken, for customs purposes, of export sales at prices less than the current domestic value. Where, however, the price at which the goods are sold to the importer is higher than the current domestic value, most countries using this system usually require that the actual sale price must be taken as the basis of value for duty purposes. Most of the countries using this system usually establish their values at a f.o.b. level, but some countries do so at a stage earlier, i.e. an internal market price without inclusion of charges up to the f.o.b. point.

A second large group of countries use the transaction value and base their value for duty purposes on the price at which the goods are sold to the country of importation, under fully competitive conditions. This can be looked at either from the standpoint of the exporting country as the export price at which the goods would be sold for exportation, or, alternatively, from the standpoint of the importing country as the import price at which the goods would be purchased. Except where the definition is subject to further qualifying conditions, the difference is no more than a question of whether the sale price is to be taken at a f.o.b. or c.i.f. level.

An important group of countries in this category are the nine G.A.T.T. Contracting Parties^{*} which have adopted the Brussels Definition of Value. This establishes a standard concept of value, expressed as the price which the goods would fetch at the time of valuation, on a sale in the open market for delivery to the place of importation.

* The Brussels Definition is now applied by 15 G.A.T.T. Contracting Parties.

The countries which adopt the transaction value as the basis for establishing the value for duty purposes find, in practice, that the invoice price at which the goods are sold to the importer is usually acceptable as providing the value on which duty is to be paid. They are, however, under the necessity of establishing methods of valuation to be used when the price at which the goods pass from the foreign exporter to the importer is not acceptable as the basis on which to charge duty. In some cases this is done by inflating the invoice price, in other cases by basing the value on the price at which the goods are sold after importation, with various deductions.

Finally, a few countries have adopted the criterion of the import market value, according to which the dutiable value is based on the price (generally on the wholesale level) at which goods comparable with the goods in question are currently sold in the internal markets of the importing country. In such cases deductions are made for included duty, and for charges arising after importation. This basis is only applied to a very small proportion of importations, and it is clear that import market value is less significant as a valuation criterion than the two criteria previously mentioned.

(c) Differences in practice

Apart from the nine countries^{*} which are operating a common definition of value under the Brussels Convention, there are numerous differences in practice even between countries which are using the same criterion for establishing value for Customs purposes. Thus, countries which have regard to the current domestic value in the country of exportation do not all take the same time for establishing that value, some having regard to the time of the export sale, others to the time the goods are shipped from the port of exportation. Again, some countries establish the value at a f.o.b. level, others at a point prior to the f.o.b. level and others at a subsequent point, equivalent to c.i.f. Most of these countries require duty to be based on the actual export price if it is higher than the current domestic value, but this is not invariably the case. In the countries which take as their criterion the transaction value there is considerable variation as to the time and place laid down for the purposes of the definition of value. In some countries it is the time and place of the export sale, in others the time and place of exportation, and in others the time and place of importation. The level of the price to be considered varies from ex-works to c.i.f.

4. The Valuation provisions of the General Agreement
on Tariffs and Trade (G.A.T.T.)

(a) Text of the provisions

See Annex I.

* This definition is now applied by 15 G.A.T.T. Contracting Parties.

(b) Analysis and comments

These provisions are of general scope and cover the whole field of valuation, regardless of the concept adopted.*

However, Article VII goes a stage further in laying down rules regarding the elements to be incorporated in valuation standards. The analysis of these rules, which will be of interest to those considering the adoption of a definition of value, reveals the following general principles (1) :

- A. The dutiable value of merchandise should be the actual value; it should not be an arbitrary or fictitious value, or be based on the value of merchandise of national origin (Article VII, paragraphs 2(a), 2(b) and 3).
- B. The bases for determining such values (Article VII, paragraph 5) should be stable and should be given sufficient publicity.
- C. Likewise, the methods used (Article VII, paragraph 5) should be stable and should be given sufficient publicity.
- D. The rules concerning valuation for Customs purposes should be administered in a uniform, impartial and reasonable manner and provision should be made for arbitration (Article X, paragraph 3).

These principles require that the value for Customs purposes shall be based on the actual value :

- (1) of the imported merchandise on which duty is assessed,
or
- (2) of like merchandise.

The two bases may be used in combination, provided, of course (see above) that the combination chosen remains stable.

The terms used, in particular the term "the actual value.... of like merchandise", are given greater precision by the requirements that Customs values :

- (a) as has been stated under A above, should not be based on the value of merchandise of national origin (Article VII, paragraph 2 (a));
- (b) should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund (Article VII, paragraph 3).

* : As long as the concept of value for Customs purposes is not the same in all countries, it is not easy to formulate, save as regards generalities, uniformly applicable valuation provisions.

- (1) This analysis follows the main lines of that given in the Explanatory Notes on Customs Valuation published by the Customs Co-Operation Council (Brussels, 1960).

As regards the elements to be included in the establishment of valuation bases conforming to these criteria, the provisions are, in effect, as follows (Article VII, paragraph 2 (b)) :

- (1) The price for determining actual value is :
 - the price of the imported merchandise on which duty is to be assessed or of like merchandise,
 - if that price derives from a sale, or from an offer for sale, "in the ordinary course of trade" and "under fully competitive conditions" (1)
- (2) The time of the sale determining price is that established by the legislation of the country of importation.
- (3) The place of the sale determining price is that established by the legislation of the country of importation.
- (4) To the extent to which price is governed by quantity, the price to be considered is that related to :
 - (a) comparable quantities, or
 - (b) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation,
provided
 - (c) that option (a) or (b) is used uniformly.

In conclusion, the value for duty of imported merchandise would be :

- (1) The price at which that merchandise or like merchandise is sold or offered for sale in the conditions described in paragraphs 1 to 4.(2)
- (2) If the value is not ascertainable in accordance with (1), the nearest ascertainable equivalent of such value.

-
- (1) Interpretative Note to Article VII.2 states that it would be in conformity with the quoted phrases to exclude any transaction wherein buyer and seller are not independent of each other and price is not the sole consideration. It states, further, that the second of the quoted phrases permits exclusion from consideration of prices involving special discounts limited to exclusive agents.
 - (2) Further provisions of the Interpretative Note to Article VII.2 allow :
 - (a) the presumption that the value may be represented by the invoice price suitably adjusted, inter alia, by including any abnormal discount or other reduction from the ordinary competitive price;
 - (b) the determination of value, uniformly, either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

It would be inappropriate in this brief survey to examine the technique of adjustment. It is sufficient to point out that the first criterion has been found to be suitable for use in at least 90% of importations and that the second criterion, which is mainly used for unsold goods consigned to agencies, is applied in not more than 10%.

(v) Conclusion

The Brussels Definition has been drawn up in accordance with the principles set out in the General Agreement on Tariffs and Trade (G.A.T.T.) in order to establish an equitable system of valuation of imported goods on a c.i.f. basis. The Definition has been approved by the G.A.T.T. Executive Secretariat and experience acquired over several years in the countries which apply it has demonstrated its usefulness and flexibility. It is the only international definition of value for Customs purposes which has been adopted by a number of countries. Its application is facilitated by the provision of Explanatory Notes and is also given special attention by a body (the Valuation Committee) which is responsible for taking up and resolving any concrete questions submitted to it by Member Administrations. Valuation, being a matter of opinion, will always be the subject of argument and in any of the countries using the Definition cases can probably be brought to light in which traders are dissatisfied with its application. However, there have been comparatively few cases of difficulties of application put to the Committee by Member countries. These are dealt with by "Valuation Opinions" which are published in the Council's Bulletins. Finally, there is no evidence that the Definition presents any weakness from which unscrupulous importers might profit to the detriment of Customs Administrations and of the trading community at large.

6. Value as defined by the United Nations Economic and Social Council

(a) Text of the provisions

See Annex III.

(b) Commentary

This definition, which is designed for statistical purposes, is prima facie related to the c.i.f. contract price. It may therefore be taken as expressing a positive concept of value, the disadvantages of which, from the Customs aspect, have already been discussed in Part 2 (b) above. However, the definition can be regarded as satisfactory for statistical purposes since although importers will not necessarily check the accuracy of the figures they communicate for these purposes they will not endeavour to conceal or distort information of purely statistical significance.

Furthermore, the use of this "transaction value" is recommended only "wherever possible". Countries are therefore left free to establish values on other bases when the transaction price is unascertainable.

The E.C.O.S.O.C. definition does not appear to be inconsistent either with the G.A.T.T. provisions or with the Brussels Definition, as analysed above. In effect, as has been stated, both the G.A.T.T. and the Council recommend that the general basis for valuation should be the "contract price". The Brussels Definition is more precise in recommending that the contract price used should be the c.i.f. price.

It follows that countries applying the Brussels Definition can furnish statistical data conforming to the E.C.O.S.O.C. Recommendation. This was no doubt borne in mind by the United Nations Statistical Commission when it expressed the view that "most countries would be able to accept the essential features of this definition".

7. Definition adopted by the Central American Isthmus
Committee for Economic Co-Operation

(a) See Annex IV.

(b) Commentary

The earlier parts of this paper provide an adequate commentary on this definition. However, it may be pointed out that whilst this definition apparently rests on the c.i.f. transaction value it is not certain whether the "price" which provides a basis for valuation is in fact the "transaction price".

If it is, then this definition must be regarded as proceeding from the positive concept of value and therefore as entailing the disadvantages analysed in Part 2 (b) above.

This definition is consistent with the principles laid down in the G.A.T.T., but it remains to be established whether countries comply, in application and interpretation, with the provisions discussed in Part 4 above. Since no criteria are provided for the establishment of "replacement values" and since no indication is given as to the elements entering into the "transaction value", it may be deduced that these factors represent so many options left to individual countries with the consequential risk of divergent interpretation.

8. Valuation practice(a) General

Methods and procedures for the uniform application of a definition of value by a group of countries vary according to the terms of the definition adopted and depend upon the administrative organisation of the different countries and the pattern of their external trade. Accordingly, the methods of application cannot themselves be strictly uniform; it would appear more reasonable simply to recommend general rules designed to facilitate uniform application or, at least, to ensure that different practices do not result in divergent interpretations of the definition.

In the first place, for the application of any definition of dutiable value the Customs officer must be advised of all the facts characteristic of the goods in the context of the definition adopted, taking into account all the elements of this definition, so that he can determine the value (and hence the amount of duty payable) in accordance with the standard laid down.

The Customs officer must also be in a position to check whether or not the facts declared correspond to the actual circumstances and, if so, he must be able to decide whether these facts are acceptable for valuation purposes. This implies preparatory study and practical experience in the clearance of goods; the officer must also be provided with all particulars offering a valid basis for his judgment.

Finally, he must be in possession of instructions and practical rules enabling him, after considering the facts available, to determine the dutiable value in all cases.

Since the Brussels Definition is the only definition applied by a group of countries, the following is a brief analysis of the three stages of the valuation procedure under that Definition, and of the methods applied in practice.

(b) Declaration of facts on importation

The Customs must know not only the facts relating to the goods to be valued, but also the circumstances surrounding their importation and, in certain cases, their intended use.

As a rule, these facts are known to the declarant or can be ascertained by him; it is his responsibility to communicate them to the Customs if so required. A declaration of the facts by the importer (or the buyer) is hence of use to the Customs⁽¹⁾.

The methods used for ascertainment of the facts necessary for valuation fall into two categories :

(1) This question is discussed in detail at the end of Chapter VI and in Chapter X of the Council's Valuation Explanatory Notes.

- (i) the submission by or on behalf of the importer as a routine obligation or on demand, of invoices (or their equivalent), bills of lading and other documents, in the course of the verification of the declared value of goods prior to their clearance out of charge or, in some cases after the goods have been allowed to go out of charge;
- (ii) routine submission of a declaration by or on behalf of the importer of the terms and conditions under which the goods have been imported. This declaration may or may not be supplemented by the commercial invoice and other documents (e.g. the freight note). The purpose of this method is to provide for automatic statement of the basic facts requisite for valuation (price, freight, insurance, commissions, discounts, relations between buyer and seller, etc.). The importer thus assumes responsibility to the Customs for any inaccuracy in his declaration⁽¹⁾.

Since the value must be established by reference to different criteria according to the commercial circumstances in which goods are imported, the facts necessary for their establishment are not always of the same type. The information necessary for verification and acceptance of declared values or, alternatively, valuation by the Customs themselves, varies from one category of importation to another.

The Customs must take such steps as may be necessary to verify the facts as declared, but it may not in all cases be possible for the verification to take place at the time of clearance without entailing delay. Recourse may be necessary to documents which are not immediately available or to records which have to be consulted at another place⁽²⁾.

Whilst such factual verification may be needed in only a small proportion of cases, there is no possibility of determining in advance of presentation of the goods to the Customs, whether or not this need will arise. To ensure the smooth and speedy clearance of goods, therefore, it is advisable to adopt a routine which affords safeguards, on the one hand to importers (in particular against verification delays) and on the other hand to the Customs (in particular against loss of revenue due to clearance in advance of verification). The two procedures most commonly used have been described above. In both, the importer or other declarant is made responsible for any inaccuracies in the facts submitted. The Customs clear the goods subject only to such checks as may be immediately available, leaving further verification to be carried out subsequently. These procedures, accompanied in some cases

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- (1) A model declaration is reproduced as Appendix B to the Valuation Explanatory Notes as a guide for Administrations. This model does not necessarily involve the requirement of a separate form, additional to the Customs goods declaration, but may be wholly or in part incorporated in that declaration.
 - (2) It is assumed that the Customs are authorised to make such investigations as may be necessary to verify declarations.

by other measures (such as security for the duty eventually found to be due), give protection to the Customs interests without need for keeping the goods in charge until all of the formalities have been discharged (1).

(c) Methods employed by the Customs to verify the facts

The facts supplied to the Customs by the importer must be verified and it must be determined as rapidly as possible, at least in most cases, whether or not they are acceptable and adequate for the valuation of the goods being imported.

Customs offices must hence have access to all information which may be necessary for checking the facts. Every Customs Administration should have a "Central Valuation Office" for this purpose (2).

The Central Valuation Office will collate and furnish to Customs offices all information necessary for checking the facts and will lay down such general or specific rules as may be required for the application of the Definition. Customs offices, for their part, should advise the Central Valuation Office of clearance operations providing useful documentation for the accomplishment of its task.

The functions of the Central office would be :

- (i) To establish and circulate to Customs offices periodical bulletins or price lists, as detailed as possible, in order to facilitate Customs control. These lists might be made out by category of goods, each category being sub-divided by reference to quality and, if possible, suppliers. It would not be necessary to publish the complete list periodically; addenda or corrigenda to existing lists would suffice (3).

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- (1) It is generally accepted that the goods must not leave Customs charge before the accomplishment of all clearance operations. The provisional clearance procedure is actually applied only in a very small number of cases ranging according to the country concerned, from 5% to 10% of total importations. Moreover, in most countries, the possibility of Customs action against the importer, and vice-versa, does not cease with the clearance of the goods from Customs charge but may continue for several years, according to the country concerned. Nor does the provisional clearance procedure apply only in case of ad valorem duty, since it existed already in many countries when they still changed specific duties.
- (2) The administrative organisation of certain countries is such that an intermediary stage - e.g. the regional offices - might exist between the Central Valuation Office and the Customs office, but this would not affect the basic system and this paper accordingly refers to two levels only : central and local.
- (3) It should be noted that this system is not equivalent to the application of official prices; the prices listed in these bulletins serve purely for guidance. Customs offices must not apply bulletin prices automatically without taking into account the importer's declaration and the terms of the Definition.

Central Valuation offices would establish these bulletins or lists on the basis of data and prices published in specialised reviews with an international circulation, data and prices supplied by Customs offices concerning other importations, catalogues or trade literature published by the firms concerned, etc.

The Bulletins would contain a list of "privileged importers"⁽¹⁾ and instructions (e.g., prices to be accepted for valuation purposes) concerning the valuation of imported goods regularly shipped to these privileged importers by their suppliers. These instructions might be provisional (when the firm in question is being investigated) or permanent (basis for valuation fixed after investigation). These bases for valuation should preferably be established by joint agreement between the privileged importers and the Central Valuation Office.

- (ii) To undertake studies or enquiries either at the request of Customs offices or as a result of periodical investigations of a number (generally small) of declarations received from Customs offices, possibly chosen at random. In some cases, the choice may be prompted by the record or antecedents of the importers and suppliers or may depend on the category of goods imported. Where a Customs office requests an enquiry concerning an importer, it is often a question of ascertaining whether any financial or contractual relationship exists between the importer and the suppliers and, if so, of determining the possible influence of that relationship on the price made. The results of these enquiries may be published in the bulletin. Their purpose is to enable further verification of the prices and facts declared on importation to be carried out subsequently.
- (iii) Insofar as the national administrative organisation permits, it would be desirable for all precedents, data, prices, etc. to be recorded in a card index system which, in its most advanced form, would comprise the following :
- (a) an alphabetical index of suppliers, showing against the name of each the names of the importers to whom he has supplied goods and the kind of goods supplied (tariff heading);
 - (b) an alphabetical index of importers, showing the kind of goods imported by each (tariff heading), the names of his suppliers and particulars of the checks made;
 - (c) a "goods" index, in which goods are classified by section following the order of the import tariff; each section comprises an alphabetical index of the importers who import the goods it covers, and is sub-divided to give details of the transactions between each importer and each of his suppliers.

The Central Valuation Office would know from these records all the importers served by a given supplier, all the suppliers of a given importer, all the importers of a given kind of goods

(1) Buyers or importers who do not negotiate in the open market and whose invoice prices may not meet the requirements of the Definition (agencies, subsidiaries, branches, etc. of the supplier).

and, finally, all the goods imported by a given importer. Moreover, they would provide references to all ad valorem declarations made.

The preparation of the above-mentioned bulletin would be appreciably facilitated by this system.

At Customs offices, the officers responsible for the valuation of goods must be in a position to verify the majority of the facts declared by importers without delay. Here personal experience is of major importance. They should :

- (1) be in possession of an up-to-date version of the price bulletin referred to above, revised regularly;
- (2) have access to an index of the goods most frequently imported through the Customs office in question. Although less detailed than that kept at the Central Office, this index should at least serve to provide a monthly indication of the unit-values, by tariff heading and sub-heading, of the goods passing through the Customs office. The sum of the values declared during the preceding month in respect of a given tariff heading or sub-heading, divided by the volume of traffic concerned, will give unit-values per heading or sub-heading to guide the examining officer in his work;
- (3) be provided with an index of "privileged importers" and, if possible, another index of the suppliers whose goods normally pass through the Customs office in question;
- (4) be able to consult the Central Valuation Office on any doubtful cases which arise and request any information deemed necessary.

Although it is not claimed that all these facilities are indispensable, in a Customs office without a system more or less similar to that described above any conscientious officer would obviously be obliged to set aside part of his time to making arrangements along these lines for his own individual benefit instead of drawing upon an administrative system in which all his colleagues participate and which is therefore more efficient.

(d) Price adjustment and valuation criteria

The relations desirable between the Central Valuation Office and Customs offices with regard to the verification of elements of fact and, in particular, prices, have already been discussed. A similar relationship should exist as regards :

- the appropriate system for the adjustment of prices when the contract price is acceptable as a basis for determination of the dutiable value;
- the valuation criteria applicable otherwise.

As already stated, the Customs officer in possession of the elements of fact, duly verified, must determine the dutiable value of the goods in order to establish the duty chargeable.

Several cases may arise, viz. :

- (i) the price declared as the price paid or payable may be entirely consistent with the terms of the definition;
- (ii) the declared price although fixed on a bona fide sale, may not be entirely consistent with the terms of the definition;
- (iii) the importer may not know the price of the goods (e.g., when there has been no sale);
- (iv) the declared price may be colourable⁽¹⁾ or fictitious.

There is no problem in the first case; the declared price corresponds to the dutiable value.

In the second case, the declared price must be adjusted to take into account all the conditions laid down in the definition. The Customs office must be given instructions for these adjustments, the nature of which will depend upon the definition adopted.

In the third and fourth cases, the procedure should, as a rule, be recommended by the Central Office. Chapter IX of the Explanatory Notes⁽²⁾ indicates the criteria to be used in these cases. On the other hand, Chapters VI, VII and VIII deal with price adjustments in the case of transactions concluded in open market conditions and in certain cases where, although the transactions were not concluded in open market conditions, it is recommended that the contract price be accepted as a basis for valuation.

Central Valuation Offices will find the above-mentioned Customs Co-Operation Council Explanatory Notes useful when providing Customs offices with guidance concerning price adjustments and the choice of criteria for use in special cases.

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- (1) Every effort must be made to eliminate false declarations by the institution of a system protecting the honest trader against unfair practice. It is considered that this system, after a period of adaptation, would contribute largely to the disappearance of false declarations. The Brussels Valuation Committee has placed on its work programme consideration of measures to deal with fraud in the field of valuation.
 - (2) A definition based on the positive concept of value would have to define the term "like merchandise", and this would involve defining other terms, possibly including "cost of production". The price bulletins would then have to quote prices for "like merchandise", foreign or domestic.

For Members of the Customs Co-operation Council, the Valuation Committee's functions include that of furnishing Contracting Parties, on its own initiative or on request, with information or advice on any matters concerning the application of the Definition. Under the terms of the Convention, the Committee will "collate and circulate to the Contracting Parties information concerning the valuation of goods by the Contracting Parties for Customs purposes". All this will greatly facilitate the Central Office's task of resolving problems arising in practice.

The Secretariat of the Customs Co-operation Council has at its disposal extensive documentation supplied by Members. At the request of a Member which intended to introduce ad valorem duties and was anxious to obtain information concerning the organisation and administrative methods adopted by States applying the Brussels Valuation Convention, the Committee made the necessary enquiries for this purpose and decided that the resulting data could in future be communicated to States contemplating accession to the Convention.

Finally, all countries adopting the Brussels Definition have access to abundant documentation as a basis for both the theoretical interpretation and the practical application of that Definition.

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VALUATION PROVISIONS OF THE
GENERAL AGREEMENT ON TARIFFS AND TRADE

Text of provisions

Article VII : Valuation for Customs Purposes

1. The contracting parties recognize the validity of the general principles of valuation set forth in the following paragraphs of this Article, and they undertake to give effect to such principles, in respect of all products subject to duties or other charges or restrictions on importation and exportation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another contracting party, review the operation of any of their laws or regulations relating to value for customs purposes in the light of these principles. The Organization may request from contracting parties reports on steps taken by them in pursuance of the provisions of this Article.

2. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, such or like merchandise is sold or offered for sale in the ordinary course of trade under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with sub-paragraph (b) of this paragraph, the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

3. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

4. (a) Except as otherwise provided for in this paragraph, where it is necessary for the purposes of paragraph 2 of this Article for a contracting party to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based, for each currency involved, on the par value as established

pursuant to the Articles of Agreement of the International Monetary Fund or on the rate of exchange recognized by the Fund, or on the par value established in accordance with a special exchange agreement entered into pursuant to Article XV of this Agreement.

- (b) Where no such established par value and no such recognized rate of exchange exist, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.
- (c) The Organization in agreement with the International Monetary Fund, shall formulate rules governing the conversion by contracting parties of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any contracting party may apply such rules in respect of such foreign currencies for the purposes of paragraph 2 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any contracting party may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 2 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.
- (d) Nothing in this paragraph shall be construed to require any contracting party to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Agreement, if such alteration would have the effect of increasing generally the amounts of duty payable.

5. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

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Paragraph 1

The expression "or other charges" is not to be regarded as including internal taxes or equivalent charges imposed on or in connection with imported products.

Paragraph 2

1. It would be in conformity with Article VII to presume that "actual value" may be represented by the invoice price, plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount or other reduction from the ordinary competitive price.
2. It would be in conformity with Article VII, paragraph 2 (b), for a contracting party to construe the phrase "in the ordinary course of tradeunder fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.
3. The standard of "fully competitive conditions" permits a contracting party to exclude from consideration prices involving special discounts limited to exclusive agents.
4. The wording of sub-paragraphs (a) and (b) permits a contracting party to determine the value for customs purposes uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

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ANNEX IIDEFINITION OF VALUE ESTABLISHED
BY THE CUSTOMS CO-OPERATION COUNCILText of the Definition and its Interpretative NotesArticle I

(1) For the purposes of levying duties of customs, the value of any goods imported for home consumption shall be taken to be the normal price, that is to say, the price which they would fetch at the time when the duty becomes payable on a sale in the open market between buyer and seller independent of each other.

(2) The normal price of any imported goods shall be determined on the following assumptions :

- (a) that the goods are treated as having been delivered to the buyer at the port or place of introduction into the country of importation; and
- (b) that the seller will bear all costs, charges and expenses incidental to the sale and to the delivery of the goods at that port or place; but
- (c) that the buyer will bear any duties or taxes applicable in the country of importation.

Article II

(1) A sale in the open market between buyer and seller independent of each other pre-supposes :

- (a) that the price is the sole consideration; and
- (b) that the price made is not influenced by any commercial, financial or other relationship, whether by contract or otherwise, between the seller or any person associated in business with him and the buyer or any person associated in business with him (other than the relationship created by the sale of the goods in question); and
- (c) that no part of the proceeds of the subsequent re-sale, use or disposal of the goods will accrue either directly or indirectly to the seller or any person associated in business with him.

(2) Two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other or both have a common interest in any business or property or some third person has an interest in the business or property of both of them.

Article III

When the goods to be valued

- (a) are manufactured in accordance with any patented invention or are goods to which any registered design has been applied; or
- (b) are imported under a foreign trade mark or are imported for sale under a foreign trade mark,

the normal price shall be determined on the assumption that the value of the right to use the patent, design or trade mark in respect of the goods is covered by the price.

Interpretative Notes to the Definition of ValueAddendum to Article 1Note 1.

"The time when the duty becomes payable" referred to in paragraph (1) of Article I may, in accordance with the legislation of each country, be either the time at which the entry is presented or registered, the time of payment of customs duty or the time of clearance.

Note 2.

The "costs, charges and expenses" mentioned in Article I, paragraph (2) (b) include, inter alia, any of the following :

- carriage and freight;
- insurance;
- commission;
- brokerage;
- costs, charges and expenses of drawing up outside the country of importation documents incidental to the introduction of the goods into the country of importation, including consular fees;
- the net amount (after allowing for repayments made or to be made) of duties and taxes applicable outside the country of importation;
- cost of containers excluding those which are treated as separate articles for the purpose of levying duties of customs; cost of packing (whether for labour, materials or otherwise);
- loading charges.

Note 3.

Where the normal price would depend upon the quantity in the sale, it shall be determined on the assumption that the sale is a sale of the quantity to be valued.

Note 4.

Where the determination of the value or of the price paid or payable depends upon factors which are expressed in a currency other than that of the country of importation, the foreign currency shall be converted into the currency of the importing country at the official rate of exchange of that country.

Note 5.

The object of the definition of value is to make it possible in all cases to calculate the duties payable on the basis of the price at which imported goods are freely available to any buyer in the open market at the port or place of introduction into the country of importation. It is a concept for general use and is applicable whether or not the goods are in fact imported under a contract of sale, and whatever the terms of that contract.

But the application of the Definition implies an enquiry into current prices at the time of valuation. In practice, therefore, when imported goods are the subject of a bona fide sale, the price paid or payable on that sale can generally be considered as a valid indication of the normal price mentioned in the Definition. This being so, the price paid or payable can reasonably be used as a basis for valuation, and Customs authorities are recommended to accept this price as the value of the goods in question, subject :

- (a) to proper safeguards aimed at preventing evasion of duty by means of fictitious or colourable contracts or prices; and
- (b) to such adjustment of the contract price as may be considered necessary on account of circumstances differentiating the contract from the notional concept embodied in the Definition of Value.

Adjustments under paragraph (b) above may in particular be required with reference to freight and other expenses dealt with in paragraph (2) of Article I and Note 2 of the Addendum to Article I, or with reference to discounts or other reductions in price granted in favour of sole agents or sole concessionnaires, or to any abnormal discount or any reduction from the ordinary competitive price.

Addendum to Article IIINote 1.

The provisions of Article III (b) may also be applied to goods imported for sale, after further manufacture, under a foreign trade mark.

Note 2.

Sub-paragraph (b) of Article III, or that sub-paragraph amended in accordance with Note I above, may be extended so that it shall not apply to a trade mark registered within the country

of importation, unless it is a mark used for the purpose of indicating that goods in relation to which it is used are those of :

- (a) any person by whom the goods to be valued have been grown, produced, manufactured, selected, offered for sale or otherwise dealt with outside the country of importation; or
- (b) a person associated in business with any such person as is referred to in (a) above; or
- (c) a person to whom any such person as is referred to in (a) or (b) above has assigned the goodwill of the business in connection with which the trade mark is used.

GENERAL ADDENDUM

It is recommended that the concept of value expressed by the Definition and these Interpretative Notes be employed for the valuing of all goods subject to customs declaration, including duty-free goods and goods liable to specific customs duties.

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ANNEX III

VALUE AS DEFINED BY THE UNITED NATIONS ECONOMIC
AND SOCIAL COUNCIL

Text of provisions

1. Resolution 469 XVB of the Council (Document E/2419)

The Economic and Social Council,

Taking note of the work done by the Statistical Commission at its fifth, sixth and seventh sessions, and of the comments received from governments and specialized agencies, on the subject of definitions and methods for external trade statistics,

Taking note that the use of the principle of the "transaction value", as defined in the report of the Statistical Commission (seventh session), would substantially improve the accuracy, usefulness and comparability of external trade statistics for international purposes,

Recommends that the governments of Member States, wherever possible, follow this principle:

- (a) By using "transaction values" in the compilation of their national statistics of external trade; or,
- (b) Where national practices are based on f.o.b. valuations of imports or other valuations, by endeavouring to provide supplementary statistical data based on this principle.

2. Definition of "transaction value" established by the 7th session of the Statistical Commission (Document E/2365).

The value for imports shall be the transaction value, that is to say, the value at which the goods were purchased by the importer plus the cost of transportation and insurance to the frontier of the importing country.

The value for exports shall be the transaction value, that is to say, the value at which the goods were sold by the exporter including the cost of transportation and insurance to bring the goods on to the transporting vehicle at the frontier of the exporting country.

In the case of imports, import duties, internal taxes and similar charges imposed in the country of import shall be excluded from the transaction value. In the case of exports, export duties, internal taxes and similar charges imposed in the country of export shall be included in so far as they, in fact, remain charged on the goods exported.

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ANNEX IVDEFINITION ADOPTED BY THE COMMITTEE FOR
ECONOMIC COOPERATION OF THE CENTRAL AMERICAN ISTHMUSText of the definition

"The value of imports shall be the transaction value, i.e. the value at which the goods were acquired by the importer plus the cost of transport and insurance to the port of destination in the country of importation. Import duties, the cost of inland transport, internal taxes and similar charges imposed in the country of importation shall be excluded from the transaction value."

The above definition was adopted by the Central American Trade Sub-Committee in Resolution 17 (SC.1) on 27 December 1957 and by the Central American Isthmus Committee for Economic Cooperation in Resolution 58 (CCE) on 9 June 1958.