

Customs Valuation Course takeaways

This is a quick and handy summary of the most relevant course information.

1 Learning objectives

By the end of this 60-minute course, you have learned about:

- the importance of customs valuation;
- what customs valuation means for customs purposes;
- the methods of valuation.

2 Overview of customs valuation

Customs valuation is the process to determine the customs value of goods.

The customs value is the basis for:

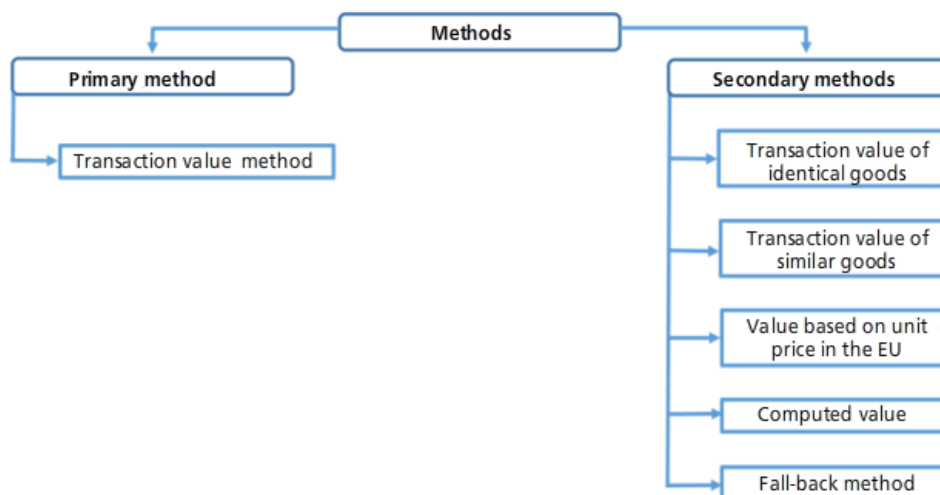
- calculating the custom duty, when charged as a percentage of the value of goods and known as 'ad valorem' duty;
- calculating the VAT on imported goods;
- elaborating the trade statistics.

The EU applies the internationally accepted concept of 'customs value' established by the WTO Customs Valuation Agreement (Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994).

All WTO member countries have an obligation to implement this agreement and apply this methodology.

Some non-WTO members also choose to adopt it; hence it applies to the vast majority of all international trade.

Methods to determine the customs value have to be applied in the prescribed order as shown.



3 Primary method or transaction value method

The primary basis for the customs value of goods is the transaction value. This is the price actually paid or payable for the goods when sold for export to the customs territory of the Union, adjusted in accordance with specific requirements indicated in the rules.

This primary method of transaction value applies to about 95% of trade in the EU.

Conditions to use the primary method are:

- no restrictions for disposing or using the goods by the buyer other than certain acceptable restrictions;
- the sale or price does not depend on conditions for which the value of the goods cannot be determined;
- the seller will not benefit from proceeds of subsequent reselling, disposal or use by the buyer unless an appropriate adjustment can be made;
- buyer and seller are not related, or, if they are, the price has not been influenced by the relationship.

When the Customs Authorities have reasonable doubts that the declared transaction value does not represent the total amount paid or payable, they may ask the declarant to supply additional information and supporting documents.

If the doubts are not dispelled, the Customs Authorities may decide to refuse the application of the transaction value method and determine the value of the goods under a secondary method.

Elements to be included in the price of the goods are:

- Costs incurred by the buyer which are not included in the price paid: commission, brokerage, costs of containers, Assists: value of goods and services supplied by the buyer free of charge or at reduced price, and used for the production of the imported goods;
- Royalties and licence fees related to the goods being valued, when paid as a condition of sale of the goods;
- Proceeds of any subsequent resale, disposal or use of the imported goods accruing to the seller;
- Costs of transport and other related costs up to the point of entry into the customs territory of the Union.

Elements not to be included in the customs value of the goods:

- Transport costs after the point of entry into the customs territory of the Union;
- Interest charges;
- Import duties and other taxes levied by reason of the import of the goods;
- Assembly or maintenance charges incurred after the entry into the customs territory of the Union;
- Buying commission.

The customs authorities may, upon application, authorise that certain amounts can be determined on the basis of specific criteria, to be laid down in the authorisation, where they are not quantifiable on the date on which the customs declaration is accepted such as:

- elements of the price;
- elements to be included in the customs value;
- elements not to be included in the customs value.

4 Secondary methods

4.1 Transaction value of identical goods

This method consists of the application of the accepted transaction value of identical goods imported at or about the same time.

Identical goods are the same in all respects including physical characteristics, quality and reputation. They are produced in the same country by the same producer.

4.2 Transaction value of similar goods

This method consists of the application of the accepted transaction value of similar goods imported at or about the same time.

Similar goods closely resemble the goods being valued in terms of component materials and characteristics. They have been produced in the same country as the imported goods. They must be commercially interchangeable.

4.3 Value based on unit price or deductive value method

The customs value is calculated on the basis of the unit price at which the imported goods, or identical or similar goods, are sold in the customs territory of the Union to an unrelated buyer in the greatest aggregate quantity.

Since the starting point is the sales price in the country of importation, various deductions, mainly concerning costs incurred in the EU, are necessary to reduce that price to the relevant customs value.

4.4 Computed value

The computed value consists of the sum of the following:

- Costs or value of material and production costs
- + Profit and general expenses equal to those usually reflected in the sale of goods of the same class or kind +
- + Cost of transport, loading, handling and insurance up to the point of entry into the customs territory of the Union.

The economic operator can request to apply this method in reverse order of the method of the value based on unit price.

4.5 Fall-back method

This method is to be used if none of the previous methods could be applied.

It is based on the previous methods, applied with a reasonable degree of flexibility.

A customs value determined under this method should be based on previously determined values to the greatest extent possible.

*Remember, this is a quick and handy summary of the most relevant course information.
Only the European Union legislation of the Official Journal of the European Union is deemed authentic.
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