

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## METHODS OF VALUATION FOR CUSTOMS PURPOSES

### Reports received from Contracting Parties

Contracting parties were asked in document L/81 of 12 March 1953 to submit by 1 June 1953 reports on the steps taken by them to bring their valuation practices into conformity with Article VII of the General Agreement. The following information has been received from the Governments of Japan and Turkey.

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J A P A N

In Japan, in order to make the principle of valuation for customs purposes consistent with the provisions of Article VII of the GATT, the necessary revisions were made to the Customs Tariff Law which was put into effect from May, 1951. The same principle has been succeeded to by the Revised Customs Tariff Law which came into effect on 1 July 1954.

Consequently, the method of valuation for customs purposes in Japan is now thoroughly consistent with the provisions of Article VII of the GATT.

The measures taken to make the method of valuation consistent with the provisions of Article VII of the GATT are as follows:

1. GATT Article VII, paragraph 2

In order to make it clear that the value for customs duty shall be based on the actual value of the imported merchandise, according to Article VII, paragraph 2 of the GATT:

- (1) It is provided that the value for customs duty of imported goods shall be the price at which, at the time of exportation of the said goods, these or like goods are sold, in the ordinary wholesale quantity and in the ordinary course of trade in the exporting country, plus the ordinary expenses incurred prior and incidental to the loading of such goods on board the vessel at the port of exportation, plus the ordinary freight and insurance incurred up to the time of arrival of the goods at the port of importation.

(Reference) Paragraph 1, Article 4, of the Customs Tariff Law.....Appendix (2) A.

- (2) It is provided that the determination of the value for customs duty mentioned above shall, as a rule, be made on the basis of the invoice or any other document, and shall be based on the value of the same or like goods recently arrived if such documents are not submitted, if the statement on such documents is not acceptable as a true account, if there is any reason for unreliability of such documents, or if it is very improper to determine the value for customs duty by the invoice, etc. because of the considerable fluctuation in price, as a result of the lapse of long time after the arrival of the said goods before the import permit.

Only in the inevitable case where the determination of the value for customs duty is impossible by any of the methods mentioned above, the value for customs duty shall be determined by deriving from the domestic wholesale price of the same or like goods with necessary adjustment.

(Reference) Paragraphs 2-5, Article 4 of the said Law ..... Appendix (2) A.

2. GATT Article VII, paragraph 3.

In compliance with the provisions of paragraph 3, Article VII of the GATT, it is clearly provided for in the Customs Tariff Law that 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, to the extent that the internal tax was reduced, exempted or refunded at the time of exportation.

(Reference) Paragraph 1, Article 4 of the said Law .....  
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3. GATT Article VII, paragraph 4.

In compliance with the provisions of paragraph 4, Article VII of the GATT, it is clearly provided for in the Customs Tariff Law that the conversion of value expressed in any foreign currency into Japanese currency shall be made according to the rate of exchange established pursuant to the Articles of Agreements of the International Monetary Fund.

. (Reference) Paragraph 6, Article 4 of the said Law ..... Appendix (2) A.

4. GATT Article VII, paragraph 5.

In compliance with the provisions of paragraph 5, Article VII of the GATT, the stability and publicity of the basis of the determination of value for customs purposes are secured in the Customs Tariff Law.

(Reference) Article 4 of the said Law .....  
Appendix (2) A.

Appendix (2)

Existing legislation relating to valuation  
for customs purposes

A. Customs Tariff Law (Law No. 54 of 1910, as amended by Law No. 42 of 1954)

Article 4. (Value for customs duty)

1. The value for customs duty on any imported goods shall be taken to be the price of such goods or the goods of the same kind when sold in the ordinary wholesale quantity and in the ordinary course of trade in the exporting country at the time of exportation (exclusive of internal excise taxes to be reduced, exempted, or refunded at the time of their exportation), plus the ordinary expenses incurred prior and incidental to the loading of such goods on board the vessel at the port of exportation (inclusive of duties and charges thereon, if any) as well as the ordinary freight and insurance incurred up to the arrival of the goods at the port of importation (in case of such goods transported by air as may be prescribed by a Cabinet Order, freight and insurance for usual way of transportation other than air shall be taken).
2. The value for customs duty in the preceding paragraph shall, if it can be determined on the basis of invoice or any other documents accompanying import declaration, be determined in accordance with such documents.
3. Where neither invoice nor other document is produced to the customs at the time of import declaration, where the statement in such documents is not acceptable as a true account of the goods, or where there is reason to believe that these documents cannot be regarded as reliable, the value for customs duty shall be determined on the basis of such value for customs duty as has been determined under the preceding paragraph, if any, in respect of the goods of the same kind or similar goods recently arrived at the port of importation, or shall, if there arises any difference in prices of such goods owing to changes in the nature of the goods, the time of their importation, or some other situations, be determined on the basis of such value for customs duty, with such adjustments as may be deemed reasonable and necessary to be made for such price fluctuation.

4. In case where there is a long period between the time of arrival of the goods at a port of importation and the time an import permit of such goods is granted (or the approval, if a delivery of the goods has been approved under paragraph 1 of Article 73 - Delivery of goods prior to import permit - of the Customs Law) and there arises so great fluctuations in their price during such period that it is found extremely improper to determine the value for customs duty on such goods under the provisions of paragraph 2, the value for customs duty on such goods shall be determined in the same way as provided for in the preceding paragraph.
5. When the value for customs duty cannot be determined under any of the preceding paragraphs, the value for customs duty shall be determined at the domestic wholesale price of the goods of the same kind or similar goods in Japan, minus the amount of customs duty and any other duties as well as charges which would be imposed or charged upon such goods, if imported into Japan, and ordinary expenses incidental to delivery of such goods from the port of importation to the domestic wholesale market, with such adjustment as may be deemed reasonable and necessary to be made for price fluctuation resulting from changes in nature of such goods and others.
6. When the value for customs duty is determined under the provisions of any of the paragraphs 1 through 4, the conversion of price expressed in any foreign currency into Japanese currency shall be made according to the rates of exchange which have been established by the Minister of Finance, and is effective at the date of applicable laws and ordinance determined under the provisions of Article 5 of the Customs Law (Applicable Laws and Ordinances).

B. Cabinet Order for Enforcement of Customs Tariff Law (Cabinet Order No. 155 of 1954)

Article 1. (Exceptions to the value for customs duty of air cargo)

Goods transported by air as may be prescribed by a Cabinet Order under paragraph 1, Article 4 (Value for customs duty) of the Customs Tariff Law (hereinafter referred to as "the Law") shall be as follows:

- (1) Gifts, sent by any person having his residence in any foreign country (including any judicial person having his head office or main place of business in any foreign country) to any other person having his residence in Japan for his private use, not exceeding ninety thousand yen (¥90,000) in the value for customs duty, calculated on the basis of air freight and insurance.

- (2) Free commercial samples, not exceeding a hundred and eighty thousand yen (¥180,000) in the value for customs duty, calculated on the basis of air freight and insurance.
- (3) News photographs (including news films), to be offered for ordinary daily newspapers covering articles relating to current topics, and printing matrices impressed for newspaper.
- (4) Goods which are considered urgently necessary to be imported for the relief of disaster or maintenance of public health, or for any other similar purposes.

T U R K E Y

(Translation)

In its 1953 report to the CONTRACTING PARTIES, the Turkish Government affirmed that its customs laws and regulations, which are based solely on specific duties, provided for the application of ad valorem duties by way of exception and took as a basis for the determination of duty the c.i.f. values shown on the original invoices submitted to the customs authorities. The government also stated that Turkey had acceded to the Brussels Convention on valuation for customs purposes and that therefore it was preparing a New Tariff based on ad valorem duties and conforming to the Brussels Nomenclature.

In making these changes, the Turkish Government had been specially influenced by the fact that the Brussels Convention embodied the most appropriate rules for establishing the valuation of goods for customs purposes and for that reason it considered that it would be best to adapt the principles set out in Article VII. of the General Agreement to those embodied in the Brussels Convention.

As stated in a previous communication to the GATT secretariat, Turkey made the necessary changes in its customs legislation in 1954. In point of fact, the Customs Tariff Bill, based on the principles of the Brussels Convention, was adopted by the Grand National Assembly of Turkey on 26 February 1954 and the new Customs Code came into force on 6 June 1954. Thus, through the new legislation it has adopted, Turkey is implementing the principles of the Brussels Convention the comprehensive scope of which is designed to facilitate the settlement of the various questions likely to arise in this field.

A translation of the relevant legislative provisions in force in Turkey regarding the valuation of imported goods for customs purposes is appended to this document.

The replies to questionnaire GATT L/228, which was recently received by the Turkish Government will be transmitted to the GATT secretariat in due course.

Legislative Provisions relating to  
Valuation for Customs Purposes

Article 10

Article 68 of the Customs Code shall be amended to read:

I. The valuation for customs purposes of imported goods serving as a basis for the imposition of duty shall be established on the basis of:

- (1) The normal price of the goods at the time duty becomes payable.
- (2) The normal price shall be deemed to be the price which the goods 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.

The normal price of 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;
  - (b) that the seller has included in the price all costs incidental to the sale and to the delivery of the goods at the port or place of introduction, including freightage, insurance premiums and commission;
  - (c) that the buyer will bear any duties and taxes applicable in the country of importation.
- (3) A sale in the open market between buyer and seller independent of each other presupposes:
    - (a) that the agreed price is the sole consideration;
    - (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);
    - (c) that no part of the proceeds of the subsequent resale, use or disposal of the goods will accrue either directly or indirectly to the seller or any person associated in business with him.

- (4) 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 common interests in any business or property, or some third person has an interest in the business or property of both of them.
- (5) When the goods to be valued are manufactured in accordance with any patented invention or are goods to which any registered design has been applied, 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.
- (6) Duties on goods imported into the country under a definite sales contract shall be established on the basis of the price declared in connexion with that document, unless the document in question is open to doubt.

When the purchase contract is not made out in accordance with the conditions stipulated above, duty shall be imposed on the basis of the value determined in accordance with the above requirements.

- (7) The value of the goods taken as the basis for the imposition of duty shall be stated in terms of Turkish currency. Amounts given in foreign currency on the invoices and other documents shall be converted into Turkish currency by the Ministry of Customs and Monopolies at the time when duty becomes payable and in accordance with the exchange rates published monthly for the current month.

II. When fixing the value of goods for customs purposes, amounts less than 1 ₺ Turkish shall be deemed to be equivalent to 1 ₺ Turkish.

III. The value of duty-free goods or goods liable to specific duties shall also be declared in accordance with the above-mentioned requirements.

IV. When for imported goods liable to ad valorem duty it is found after examination that certain sums have not been shown on the invoices or other relevant documents, such sums shall be added to the normal price.

When after examination it is found that the value of the goods is less than the figure given on the invoice or other relevant documents, the difference shall be deducted from the value taken as a basis of calculation, provided that the difference in value is the result of theft, loss or deterioration of the goods in question.

V. The persons concerned are required to produce and if necessary to remit to the competent officials of the Ministry of Customs and Monopolies their account books and commercial and legal registers and documents.