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# GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

Original: English

Group "Non-Tariff Measures"

Sub-Group "Customs Matters"

## CUSTOMS VALUATION

### Addendum

1. At its meeting in May 1975, the Sub-Group "Customs Matters" agreed "that participants should transmit to the GATT secretariat in writing by 15 September 1975 specific suggestions, accompanied by notes explaining the objectives of these suggestions, for the elements that they wished to have included in any new set of international rules on customs valuation to be adopted in the context of the Multilateral Trade Negotiations" (MTN/NTM/4, paragraph 6 and GATT/AIR/1189).
2. This agreement was confirmed at the October 1975 meeting of the Sub-Group. The Sub-Group also agreed that the written submissions contained in MTN/NTM/W/20 and addenda would, inter alia, constitute the basis for the discussion at its next meeting.
3. At its meeting in March 1976 the Sub-Group invited delegations to submit any additional comments they wished to have included in a working paper to be prepared by the secretariat, containing a checklist of issues raised and of possible elements that may be included in any new set of international rules or principles on customs valuation to be adopted in the context of the Multilateral Trade Negotiations (MTN/NTM/13 paragraph 8).
4. A communication from India has been received and is reproduced hereunder.

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### Valuation system

India believes that CTIP draft notes (MTN/NTM/W/7) provide a useful basis for evolution of standard principles for valuation. In evolving any such system it is necessary to ensure that the definitions of value or the manner of

assessment of duties and procedures followed do not act to the disadvantage of developing countries and take into account the special economic features of their economies, then development need and priorities, the structural problems of industries and other relevant factors which result in a differential system so far as goods produced for domestic market and those produced for exports are concerned.

In addition to the principles enunciated in the document the valuation system should also avoid uncertainties and should be fair and equitable.

Generally India would favour valuation of goods to be based on the prices at which such or like goods are ordinarily sold or offered for sale for delivery at the time and place of importation or exportation as the case may be in the course of international trade where the seller and the buyer have no interest in the business of each other. In the normal course the domestic prices in developing countries should not be used as a yard-stick for valuation purposes as it not only introduces an element of uncertainty but as mentioned above fails to take into account the special features of the economies of developing countries.

There can be cases where prices as mentioned above are not ascertainable and the customs authorities may have to fall back upon alternative methods of determining the price, for example, in cases where there may be links between the buyer and seller and prices are transfer prices. Valuation in such cases might have to be determined according to the following principles in order in which they are mentioned:

- (a) The value of the imported goods may be based on the value at which such goods or comparable goods produced or manufactured by the person who has produced or manufactured the goods to be assessed are ordinarily sold or offered for sale to other buyers in the importing country under competitive conditions;
- (b) If the value cannot be determined under (a) above, it may be based on the export price at which such goods/comparable goods produced or manufactured by the person who has produced or manufactured the goods to be assessed are ordinarily sold or offered for sale under competitive conditions to buyers in countries other than the importing country;
- (c) If the value cannot be determined under (a) or (b), it may be based on the value at which comparable goods produced or manufactured by other persons in the country in which the goods to be assessed have been produced or manufactured are ordinarily sold or offered for sale to other buyers in that country under competitive conditions.

In the Indian valuation system the valuation based on "current domestic value" is only a residuary provision which is invoked only when other methods are not available or appropriate.

It may also be pointed out that while taking note of the price of the same or similar goods in the country of origin, due allowance is also required to be given to the amount of internal tax levied in the country of origin from which the goods on being exported are exempted or relieved by means of refund, etc. Thus attempt is made to find out the approximate c.i.f. value even though it is done by deducing backward from the domestic market price. India is therefore of the view that in order to provide an element of regression in the system, the provision for resort to the concept of prices of goods in the domestic market of the exporting country may be acceptable in the manner set out in paragraph 3 on the clear understanding that it should not be a principle of general application.