

Regulations Concerning Order of Determining the Customs Value of Goods Imported to Georgia

Part I

General Provisions

Article 1

The present Instructions are based on the Customs Code of Georgia and the Law on Customs Tariff and Customs Duty. The provisions of these Instructions shall determine the customs value of goods being imported to Georgia. Customs valuation involves classifying and valuing imports for the purpose of levying tariffs, imposing taxes and collecting statistics.

Article 2

Basis of the Customs Valuation of Goods

These Regulations for defining the customs value of goods are based upon the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 ("Customs Valuation Agreement") of the World Trade Organization.

The notes at Annex I to that Agreement form an integral part of these Regulations and the Articles of these Regulations are to be read and applied in conjunction with the respective notes in Annex I.

Part II

General Rules for Determining the Customs Value

Article 3

1. The customs value of imported goods shall be the transaction value, that is the price actually paid or payable for the goods when sold for export to Georgia adjusted in accordance with the provisions of Article 10, provided:

(a) that there are no restrictions as to the disposition or use of the goods by the buyer other than restrictions which:

- (i) are imposed or required by Georgian laws or authorities;
- (ii) limit the geographical area in which the goods may be resold; or
- (iii) do not substantially affect the value of the goods;

(b) that the sale or price is not subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued;

(c) that no part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with the provisions of Article 10; and

(d) that the buyer and seller are not related, or where the buyer and seller are related, that the transaction value is acceptable for customs purposes under the provisions of paragraph 2 of this Article.

2. (a) In determining whether the transaction value is acceptable for the purposes of paragraph 1 of this Article, the fact that the buyer and the seller are related within the meaning of Article 16 shall not in itself be grounds for regarding the transaction value as unacceptable. In such case the circumstances surrounding the sale shall be examined and the transaction value shall be accepted provided that the relationship did not influence the price. If, in the light of information provided by the importer or otherwise, the customs administration has grounds for considering that the relationship influenced the price, it shall communicate its grounds to the importer and he shall be given a reasonable opportunity to respond. If the importer so requests, the communication of the grounds shall be in writing.

(b) In a sale between related persons, the transaction value shall be accepted and the goods valued in accordance with the provisions of paragraph 1 of this Article whenever the importer demonstrates that such value closely approximates to one of the following occurring at or about the same time:

- (i) the transaction value in sales to unrelated buyers of identical or similar goods for export to Georgia;
- (ii) the customs value of identical or similar goods as determined under the provisions of Article 7;
- (iii) the customs value of identical or similar goods as determined under the provisions of Article 8;

In applying the foregoing tests, due account shall be taken of demonstrated differences in commercial levels, quantity levels, the elements enumerated in Article 10 and costs incurred by the seller in sales in which he and the buyer are not related that are not incurred by the seller in sales in which he and the buyer are related.

(c) The tests set forth in paragraph 2(b) of this Article are to be used at the initiative of the importer and only for comparison purposes. Substitute values may not be established under the provisions of paragraph 2(b) of this Article.

Article 4

1. (a) If the customs value of the imported goods cannot be determined under the provisions of Article 3, the customs value shall be the transaction value of identical goods sold for export to Georgia and exported at or about the same time as the goods being valued.

(b) In applying this Article, the transaction value of identical goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the customs value. Where no such sale is found, the transaction value of identical goods sold at a different commercial level and/or in different quantities, adjusted to take account of differences attributable to commercial level and/or to quantity, shall be used, provided that such adjustments can be made on the basis of demonstrated evidence which clearly establishes the reasonableness and accuracy of the adjustment,

whether the adjustment leads to an increase or a decrease in the value.

2. Where the costs and charges referred to in subparagraphs 1(e), (f), and (g) of Article 10 are included in the transaction value, an adjustment shall be made to take account of significant differences in such costs and charges between the imported goods and the identical goods in question arising from differences in distances and modes of transport.

3. If, in applying this Article, more than one transaction value of identical goods is found, the lowest such value shall be used to determine the customs value of the imported goods.

Article 5

1. (a) If the customs value of the imported goods cannot be determined under the provisions of Articles 3 and 4, the customs value shall be the transaction value of similar goods sold for export to Georgia and exported at or about the same time as the goods being valued.

(b) In applying this Article, the transaction value of similar goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the customs value. Where no such sale is found, the transaction value of similar goods sold at a different commercial level and/or in different quantities, adjusted to take account of differences attributable to commercial level and/or to quantity, shall be used, provided that such adjustments can be made on the basis of demonstrated evidence which clearly establishes the reasonableness and accuracy of the adjustment, whether the adjustment leads to an increase or a decrease in the value.

2. Where the costs and charges referred to in subparagraphs 1(e), (f), and (g) of Article 10 are included in the transaction value, an adjustment shall be made to take account of significant differences in such costs and charges between the imported goods and the similar goods in question arising from differences in distances and modes of transport.

3. If, in applying this Article, more than one transaction value of similar goods is found, the lowest such value shall be used to determine the customs value of the imported goods.

Article 6

If the customs value of the imported goods cannot be determined under the provisions of Articles 3, 4 and 5, the customs value shall be determined under the provisions of Article 7 or, when the customs value cannot be determined under that Article, under the provisions of Article 8 except that, at the request of the importer, the order of application of Articles 7 and 8 shall be reversed.

Article 7

1. (a) If the imported goods or identical or similar imported goods are sold in Georgia in the condition as imported, the customs value of the imported goods under the provisions of this Article shall be based on the unit price at which the imported goods or identical or similar imported goods are so sold in the greatest aggregate quantity, at or about the time of the importation of the goods being valued, to persons who are not related to the persons from whom they buy such goods, subject to deductions for the following:

- (i) either the commissions usually paid or agreed to be paid or the additions usually made for profit and general expenses in connection with sales in Georgia of imported goods of the same class or kind;
- (ii) the usual costs of transport and insurance and associated costs incurred within Georgia;

- (iii) where appropriate, the costs and charges referred to in subparagraphs 1(e), (f), and (g) of Article 10; and
- (iv) the customs duties and other national taxes payable in Georgia by reason of the importation or sale of the goods.

(b) If neither the imported goods nor identical nor similar imported goods are sold at or about the time of importation of the goods being valued, the customs value shall, subject otherwise to the provisions of paragraph 1(a) of this Article, be based on the unit price at which the imported goods or identical or similar imported goods are sold in Georgia in the condition as imported at the earliest date after the importation of the goods being valued but before the expiration of ninety days after such importation.

2. If neither the imported goods nor identical nor similar imported goods are sold in Georgia in the condition as imported, then, if the importer so requests, the customs value shall be based on the unit price at which the imported goods, after further processing, are sold in the greatest aggregate quantity to persons in Georgia who are not related to the persons from whom they buy such goods, due allowance being made for the value added by such processing and the deductions provided for in paragraph 1(a) of this Article.

Article 8

1. The customs value of imported goods under the provisions of this Article shall be based on a computed value. Computed value shall consist of the sum of:

(a) the cost or value of materials and fabrication or other processing employed in producing the imported goods;

(b) an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to Georgia;

(c) the cost or value of all other expenses necessary to reflect the valuation option chosen by Georgia under subparagraphs 1(e), (f), and (g) of Article 10.

2. The customs authority may not require or compel any person not resident in Georgia to produce for examination, or to allow access to, any account or other record for the purposes of determining a computed value. However, information supplied by the producer of the goods for the purposes of determining the customs value under the provisions of this Article may be verified in another country by Georgian authorities with the agreement of the producer and provided they give sufficient advance notice to the government of the country in question and the latter does not object to the investigation.

Article 9

1. If the customs value of the imported goods cannot be determined under the provisions of Articles 3 to 8, inclusive, the customs value shall be determined using reasonable means consistent with the principles and general provisions of these Regulations, Article VII of the GATT 1994, The Agreement on Implementation of Article VII of GATT 1994 and on the basis of data available in Georgia.

2. No customs value may be determined under the provisions of this Article on the basis of:

(a) the domestic selling price of goods produced in Georgia;

(b) a system which provides for the acceptance for customs purposes of the

higher of two alternative values;

- (c) the price of goods on the domestic market of the country of exportation;
- (d) the cost of production other than computed values which have been determined for identical or similar goods in accordance with the provisions of Article 8;
- (e) the price of the goods for export to a country other than Georgia;
- (f) minimum customs values; or
- (g) arbitrary or fictitious values.

3. If he so requests, the importer shall be informed in writing of the customs value determined under the provisions of this Article and the method used to determine such value.

Article 10

1. In determining the customs value under the provisions of Article 3, there shall be added to the price actually paid or payable for the imported goods:

(a) the following, to the extent that they are incurred by the buyer but not included in the price actually paid or payable for the goods:

- (i) commissions and brokerage, except buying commissions;
- (ii) the cost of containers which are treated as being one for customs purposes with the goods in question;
- (iii) the cost of packing whether for labour or materials;

(b) the value, apportioned as appropriate, of the following goods and services where supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods, to the extent that such value has not been included in the price actually paid or payable:

- (i) materials, components, parts and similar items incorporated in the imported goods;
- (ii) tools, dies, molds and similar items used in the production of the imported goods;
- (iii) materials consumed in the production of the imported goods;
- (iv) engineering, development, artwork, design work, and plans and sketches undertaken outside Georgia and necessary for the production of the imported goods;

(c) royalties and license fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable;

(d) the value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues directly or indirectly to the seller;

- (e) the cost of transport of the imported goods;
- (f) loading, unloading and handling charges associated with the transport of the imported goods to the place of importation into Georgia; and
- (g) the cost of insurance.

2. Additions to the price actually paid or payable shall be made under this Article only on the basis of objective and quantifiable data.

3. No additions shall be made to the price actually paid or payable in determining the customs value except as provided in this Article.

Article 11

When determining the duty amount, foreign currency shall be converted into the national currency of Georgia at the rate established by the National Bank of Georgia on the date of the customs declaration registration.

Article 12

All information which is by nature confidential or which is provided on a confidential basis for the purposes of customs valuation shall be treated as strictly confidential by Georgian authorities, who shall not disclose it without the specific permission of the person or government providing such information, except to the extent that it may be required to be disclosed in the context of judicial proceedings.

Article 13

1. The Customs Department of Georgia shall provide in regard to a determination of customs value the right of appeal, without penalty, by the importer or any other person liable for the payment of the duty.

2. The initial right of appeal without penalty shall be to the Customs Department of Georgia, from which further appeal may be taken to a judicial authority.

3. Notice of the decision on appeal shall be given to the appellant and the reasons for such decision shall be provided in writing. He shall also be informed of his rights of any further appeal.

Article 14

Laws, regulations, judicial decisions and administrative rulings of general application giving effect to these Regulations shall be published in the newspaper "Phinansebi".

Article 15

1. If, in the course of determining the customs value of imported goods, it becomes necessary to delay the final determination of such customs value, the importer shall nevertheless be able to withdraw his goods from customs if, where so required, he provides sufficient guarantee in the form of a surety, covering the ultimate payment of customs duties for which the goods may be liable.

2. The suretyship is valid if accompanied with the surety's application and if the contract of suretyship indicates the maximal amount of surety's liability.

3. A surety is responsible only in limits of amount indicated in the document of suretyship, in any case.

Article 16

1. In these Regulations:

(a) "customs value of imported goods" means the value of goods for the purposes of levying ad valorem duties of customs on imported goods;

(b) "country of importation" means Georgia or the customs territory of Georgia;

(c) "produced" includes grown, manufactured and mined;

(d) "identical goods" means goods which are the same in all respects, including physical characteristics, quality and reputation. Minor differences in appearance would not preclude goods otherwise conforming to the definition from being regarded as identical;

(e) "similar goods" means goods which, although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable. The quality of the goods, their reputation and the existence of a trademark are among the factors to be considered in determining whether goods are similar;

(f) The terms "identical goods" and "similar goods" do not include, as the case may be, goods which incorporate or reflect engineering, development, artwork, design work, and plans and sketches for which no adjustment has been made under paragraph 1(b)(iv) of Article 10 because such elements were undertaken in Georgia;

(g) goods shall not be regarded as "identical goods" or "similar goods" unless they were produced in the same country as the goods being valued;

(h) goods produced by a different person shall be taken into account only when there are no identical goods or similar goods, as the case may be, produced by the same person as the goods being valued.

(i) "goods of the same class or kind" means goods which fall within a group or range of goods produced by a particular industry or industry sector, and includes identical or similar goods.

(j) the term "price actually paid or payable" includes all payments actually made or to be made as a condition of sale of the imported goods, by the buyer to the seller, or by the buyer to a third party to satisfy an obligation of the seller.

2. For the purposes of these Regulations, persons shall be deemed to be related only if:

(a) they are officers or directors of one another's businesses;

(b) they are legally recognized partners in business;

(c) they are employer and employee;

(d) any person directly or indirectly owns, controls or holds 5 per cent or more of the outstanding voting stock or shares of both of them;

(e) one of them directly or indirectly controls the other;

(f) both of them are directly or indirectly controlled by a third person;

(g) together they directly or indirectly control a third person; or

(h) they are members of the same family.

3. Persons who are associated in business with one another in that one is the sole agent, sole distributor or sole concessionaire, however described, of the other shall be deemed to be related for the purposes of these Regulations if they fall within the criteria of paragraph 2 of this Article.

Article 17

Upon written request, the importer shall have the right to an explanation in writing from the Customs Department of Georgia as to how the customs value of his imported goods was determined.

Article 18

Nothing in these Regulations shall be construed as restricting or calling into question the rights of the customs authorities of Georgia to satisfy themselves as to the truth or accuracy of any statement, document or declaration presented for customs valuation purposes.