



**World Customs  
Organization**

# Alternate Valuation Methods

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# Objectives



- a) Explain the concept of “identical” and “similar” goods for the purposes of valuing imported goods.
- b) Articulate the purpose of the identical and similar goods methods of valuation
- c) Develop an understanding and, be able to explain the commercial level and/or quantity requirements and adjustments of Articles 2 and 3.

# Objectives



- d) Explain the basic premise of the “deductive” method of valuation.
- e) Explain the term, “unit price”, “greatest aggregate quantity” and their relevance to the deductive method.
- f) List the legal deductions to be made when applying the deductive method.
- g) Explain the basic premise of the “computed” method of valuation.
- h) Identify and explain the cost/value of materials and fabrication costs when applying the computed method.

# Objectives



- i) Explain the basic premise of the “fallback” method of valuation.
- j) Articulate the purpose of the “fallback” method and its sequential relevance in the hierarchy of the methods.
- k) Illustrate the intention and application of the terms “reasonable means” and “reasonable flexibility” when considering Article 7.
- l) List the restrictions on the use of Article 7.

# Hierarchy of Alternate Methods



Transaction value of identical goods (Article 2)

Transaction value of similar goods (Article 3)

Deductive Value Method (Article 5)

Computed Value Method (Article 6)

Fall-back Method (Article 7)

## Article 2



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

## Article 3



If the customs value of the imported goods cannot be determined under the provisions of [Articles 1](#) and [2](#), the customs value shall be the transaction value of similar goods sold for export to the same country of importation and exported at or about the same time as the goods being valued.

# Articles 2 & 3



## Identical goods



- Physical characteristics
- Quality
- Reputation

## Similar goods



- Have like characteristics
- Perform the same function
- Commercially interchangeable



# Articles 2 and 3



## Conditions for Articles 2 & 3

- **Origin**
  - produced in the same country as the goods being valued
- **Time factor**
  - exported at or about the same time
- **Commercial level and quantity**
  - wherever possible, use same commercial level and substantially the same quantity, if not, adjustments can be made
- **More than one transaction value is found**
  - the lowest value will apply

## Deductive Value Method (Article 5)



Customs value based on:

- Unit price
- Of the imported goods, or identical or similar imported goods,
- Sold in the greatest aggregate quantity to persons not related to the persons from whom they buy such goods
- In the country of importation in the condition as imported

# Deductive Value Method



## Identify sales:

- Of the imported goods, or identical or similar imported goods, occurring “*at or* about the time of importation”
- In the condition as imported
- In the greatest aggregate quantity

# Example



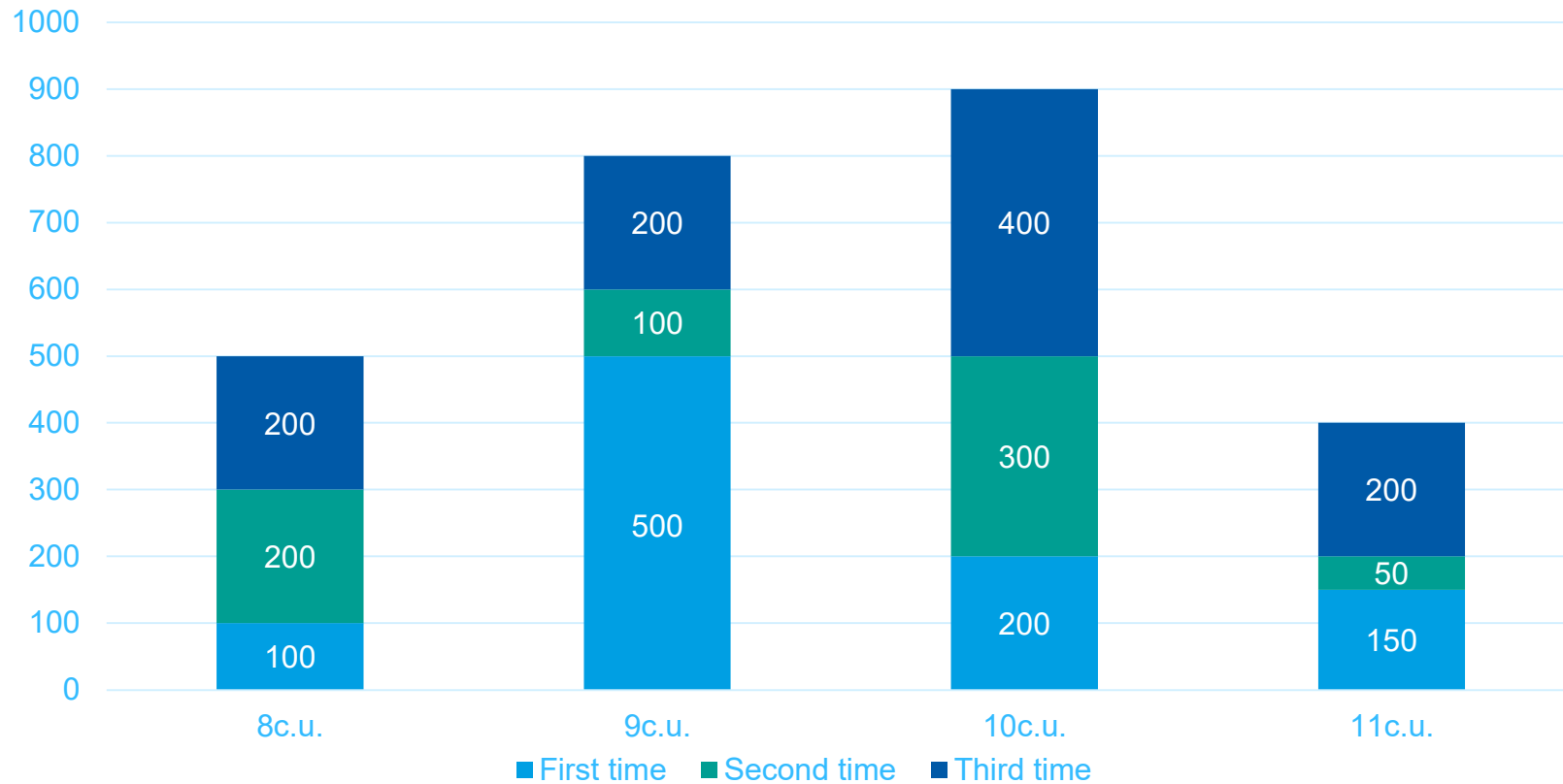
SALES QUANTITY	UNIT PRICE
20 units	95 c.u.
40 units	100 c.u.
10 units	110 c.u.
30 units	65 c.u.
18 units	95 c.u.

65 c.u.	<b>30</b>
95 c.u.	20 + 18 = <b>38</b>
100 c.u.	<b>40</b>
110 c.u.	<b>10</b>

# Deductive Value Method



The greatest aggregate quantity



# Deductive Value Method



## Deduct from unit price:

- Either commissions or profit & general expenses in connection with sales of goods of the same class or kind
- Costs of post importation transport & insurance
- Costs and charges of Article 8.2, as appropriate
- Customs duties & taxes payable in country of importation

## Computed Value Method (Article 6)



**Computed value shall consist of the sum of :**

- The cost or value of materials and fabrication
- Other processing employed in producing the imported goods
- An amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind
- The cost or value of Article 8.2 expenses

# Fallback Method (Article 7)



The customs value shall be determined using

- **reasonable means**
- consistent with the principles and general provisions of this Agreement and of Article VII of GATT 1994
- on the basis of data available in the country of importation

*(Article 7)*

Customs values, to the greatest extent possible, should be based on previously determined customs values

*(Note to the Article 7)*

The methods of valuation to be employed under Article 7 should be those laid down in Articles 1 through 6 - but a reasonable flexibility in the application of such methods would be in conformity with the aims and provisions of Article 7

*(Note to the Article 7)*



# Fallback Method



## What cannot be used as basis for value :

- Selling price in the country of importation of goods produced in that country
- The higher of two alternative values
- Price of goods on the domestic market of the country of exportation
- Cost of production other than a computed value under Article 6
- Price of goods sold for export to a country other than the country of importation
- Minimum values (except for the situation provided for in Annex III)
- Arbitrary or fictitious values



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**Thank You**

