



The Bottom Line

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DETERMINING PROPER CUSTOMS VALUATION

Summary

Customs valuation is a customs procedure applied to determine the customs value of imported goods. If the rate of duty is ad valorem, the customs value is essential to determine the duty to be paid on an imported good.

Background

Article VII of the General Agreement on Tariffs and Trade (GATT) laid down the general principles for an international system of valuation in 1948. It stipulated that the value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

Starting in the 1950s, customs duties were assessed by many countries according to the Brussels Definition of Value (BVD). Under this method, a normal market price—defined as “the price that a good would fetch in an open market between a buyer and seller independent of each other”—was determined for each product, according to which the duty was assessed. This method caused widespread dissatisfaction however, as price changes were not reflected until the notional price was adjusted by the customs office after certain periods of time. Additionally, new or rare products were often not captured in the lists, which made determination of the “normal price” difficult. The current “transaction value” methodology was adopted in 1979 after the adoption of the Tokyo Round Valuation Code and incorporated into 1994 GATT Uruguay Round.

Current Status

Transaction value is the price **actually paid or payable**. It is the total payment made by the buyer to the seller for the imported goods,

and includes all payments 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. This value must include:

- Commissions and brokerage, except buying commissions
- Packing and container costs and charges
- Assists
- Royalties and license fees

Selling commissions are fees paid to a selling agent for the services it performs on behalf of the seller in the sale of the imported goods. Buying commissions are fees paid to a bona fide buying agent for the services it performs on behalf of the buyer in connection with the purchase of the imported goods. In contrast to selling commissions, buying commissions are not one of the specified additions to the price actually paid or payable. An assist occurs when an importer of foreign merchandise provides something of tangible value to the producer or supplier of that merchandise. The effect of providing this something makes the cost of production less than what it would have been had the producer obtained the something from third-party sources.

Impact

International shipments, both leaving and entering the United States, have regulations which direct the value that should be declared as part of the transaction. It is very important for the responsible party to be aware of what those requirements are and what costs should be included. Exporters should communicate with importers to ensure that all necessary data is reflected on the commercial invoice for a smooth import declaration at destination. Failure to do so could result in investigation by Customs or additional charges being levied as a result.

RESOURCES:

[Technical Information on Customs Valuation](#) (WTO)

[What You Should Know About Buying and Selling Commissions](#) (CBP)

[What is an Assist?](#) (Shipping Solutions)