

**AGREEMENT ON
IMPLEMENTATION OF ARTICLE
VII OF THE GENERAL
AGREEMENT ON TARIFFS AND
TRADE 1994**



CUSTOMS VALUE

- **Customs value of imported goods means:**
 - **the value of goods for the purposes of levying ad valorem duties of customs on imported goods.**

➤ Article 15.1(a)

- **Customs Value of imported goods is the Transaction Value**

(Article 1)



TRANSACTION VALUE

- Is the **price actually paid or payable** for the imported goods when sold for export to the country of importation, adjusted in accordance with the provisions of Article 8
- Applicable when the **provisions of Article 1(a) to (d)** are satisfied
- Primary basis for Customs value under the Agreement (General Introductory Commentary)



PRICE ACTUALLY PAID OR PAYABLE (PAPP)

- Note to Article 1
- **PAPP is the total payment made or to be made to or for the benefit of the seller for the imported goods**
- Paragraph 7 of Annex III to the Agreement
- **Includes all payments actually made or to be made as a condition of the 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**
- **Activities undertaken by the buyer on the buyer's own account, are not considered to be an indirect payment to the seller**
 - *Therefore, not to be added to the price actually paid or payable*
(Note to Article 1)



PROVISIONS OF ARTICLE 1.1

- a) No restrictions as to the disposition or use
- b) Sale or price is not subject to some condition or consideration
- c) No part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer accrue to the seller
- d) Buyer and seller are not related or if they are related TV is acceptable.



Article 1: ... when sold for export ...

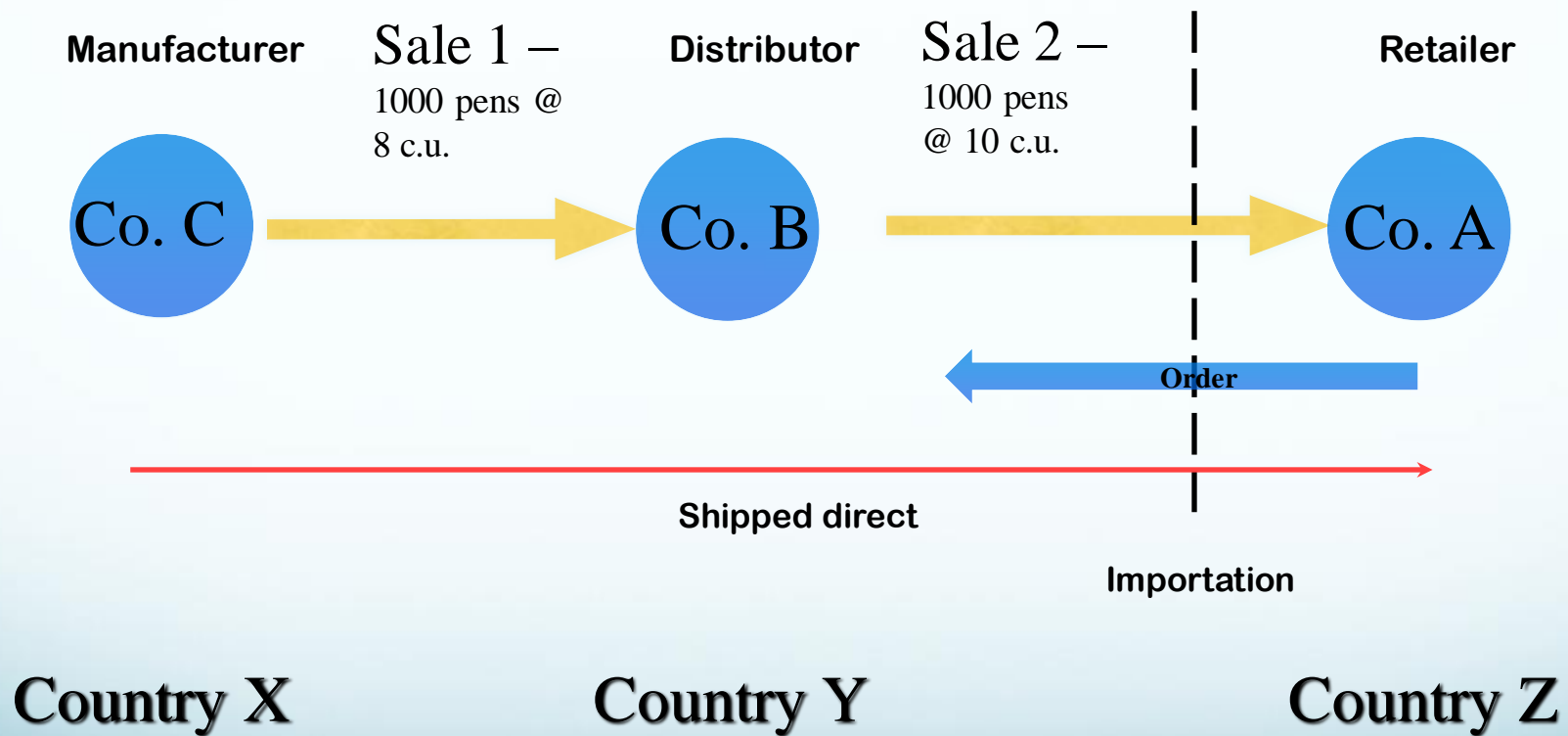
Requires :

- Ø A sale
- Ø An export





SALE FOR EXPORT



COMMENTARY 22.1

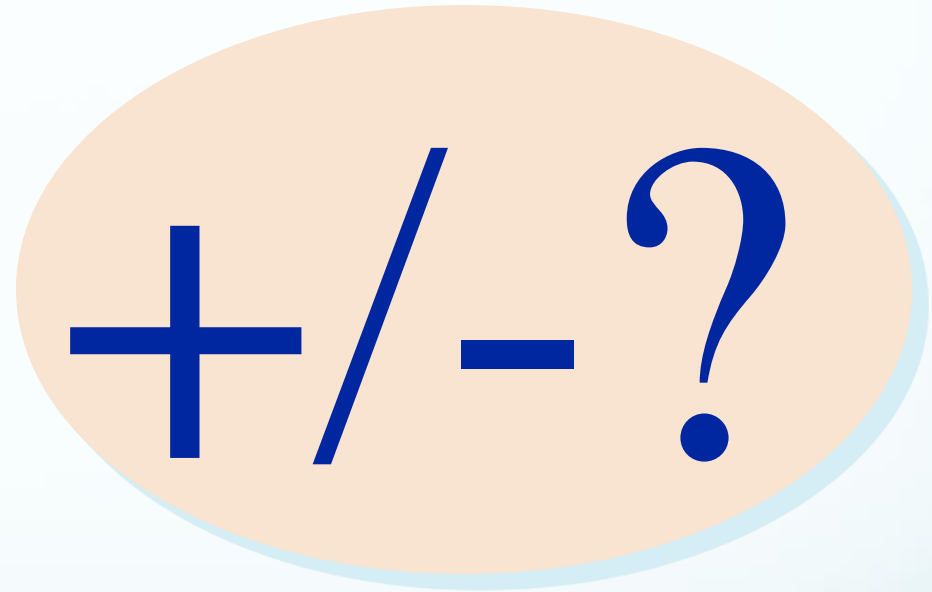
- Technical Committee view:
 - the underlying assumption of Article 1 is that normally the buyer would be located in the country of importation and that the price actually paid or payable would be based on the price paid by this buyer
 - in a series of sales situation, the price actually paid or payable for the imported goods when sold for export to the country of importation is the **price paid in the last sale occurring prior to the introduction of the goods into the country of importation**, instead of the first (or earlier) sale.



TRANSACTION VALUE: ADJUSTMENTS : ARTICLE 8

Include:

- Selling Commissions
- “Assists”
- Dutiable Royalties
- Proceeds of resale
- Transport Costs (where applicable)



Do not include:

- Buying Commission,
Post-importation charges



ROLE OF THE SELLING AGENT

- Represents the Seller,
- Finds customers (Buyers),
- Maintains samples,
- Arranges for transport costs,
- Negotiates highest price,
- Helps prepare documents,
- Separate shipments,
- Prepares invoices.



ROLE OF THE BUYING AGENT

- Represents the Buyer,
- Finds Suppliers,
- Obtains samples from the Suppliers,
- Arranges for transport costs,
- Negotiates lowest price,
- Helps prepare documents,
- Consolidates shipments.

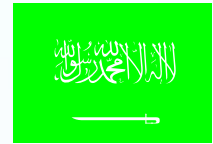


ROLE OF THE INDEPENDENT AGENT (BROKER)

- Acts for both the Buyer and the Seller
- Connects both parties to the transaction
- Specializes in certain types of goods



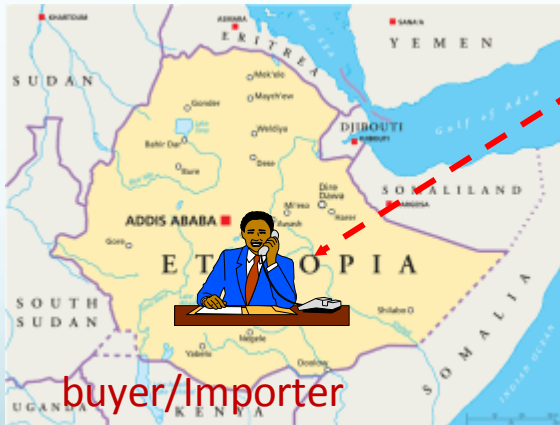
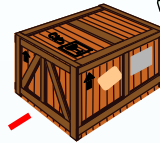
Buying Agent



Saudi Arabia

Buying agent

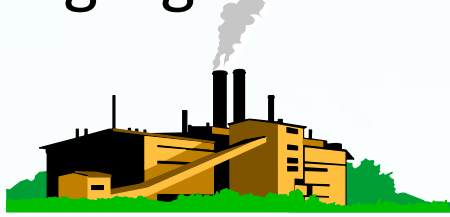
Supplier



buyer/Importer



Selling Agent



Seller/supplier



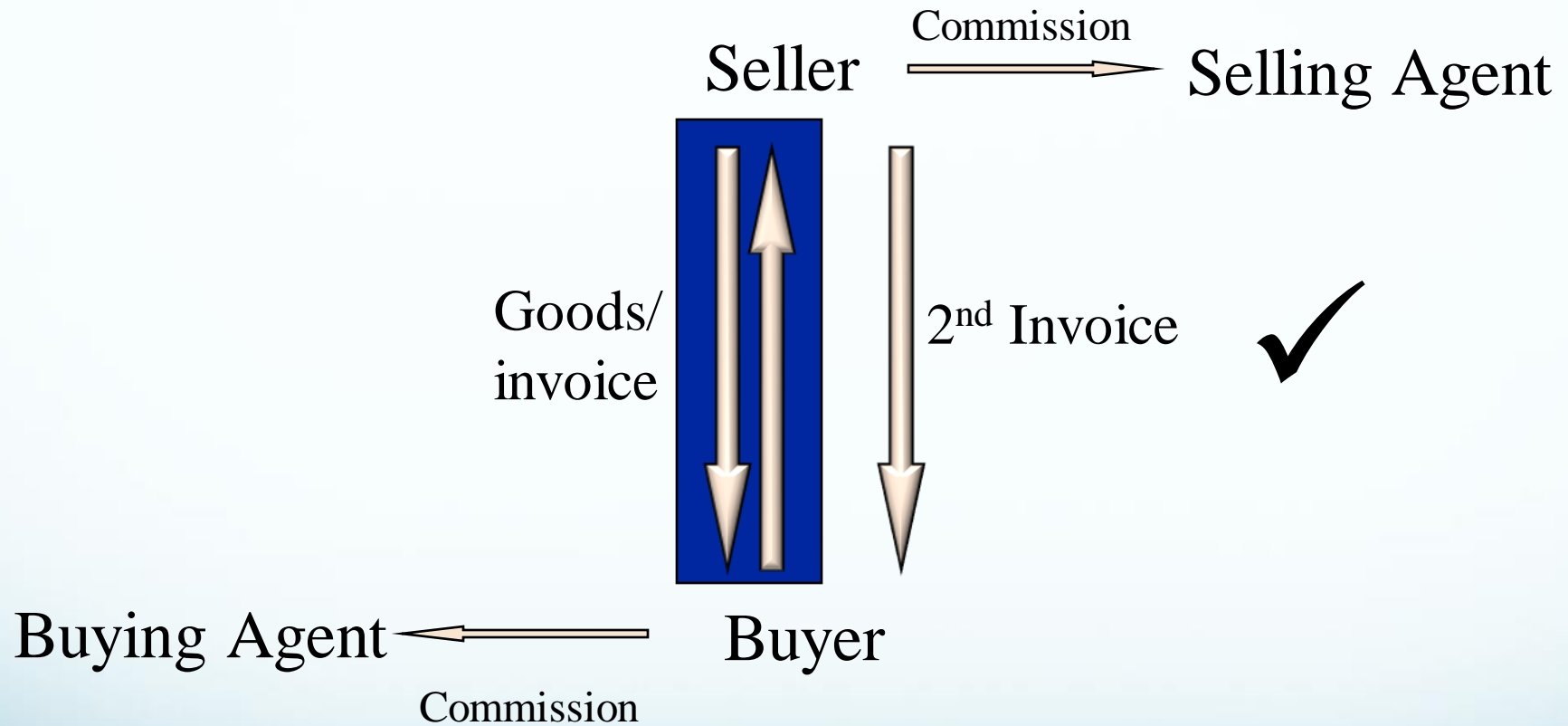
Selling Agent



buyer/Importer



Commissions



Article 8.1 (b) “Assists”

The value, apportioned as appropriate, of :

- certain goods or services,
- supplied directly or indirectly by the buyer,
- free of charge or at reduced cost
- for use in connection with the production of the imported goods

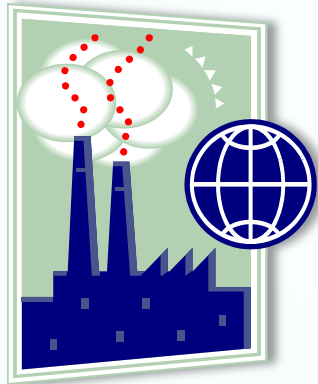


Categories of Assists

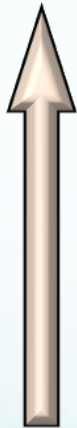
1. Materials, components and parts incorporated in imported goods
2. Tools, dies and moulds used in the production of imported goods
3. Materials consumed in production of imported goods
4. Engineering, development, artwork, design work, plans and sketches (undertaken elsewhere than in country of importation)



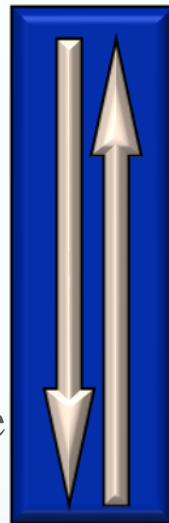
Example of “Assists”



Seller/Manufacturer



Supplied free of charge



Goods/
invoice



Import of jackets

Buyer/Importer



Customs Value = invoice price + value of zips & buttons

Article 8.1 (c) Royalties & Licence Fees

Intangible rights associated with royalties & licence fees

- Patents
- Trademarks
- Copyright
- Conveys the right to use, produce or sell a licenced product.
- Includes brand names, intellectual property, designs etc.



Article 8.1 (c) Royalties & Licence Fees

- Royalties and licence fees are to be added to the price actually paid or payable for the imported goods when they are:
 - **related to the goods** that the buyer must pay, either directly or indirectly
 - **paid as a condition of sale** of the goods
 - ... to the extent that such fees are not included in the price actually paid or payable



Royalties and licence fees

x

An importer in your country buys 10 assembled wheelbarrows from a seller abroad, at a total price of € 1,000 CIF.


The seller is a party to a licensing agreement signed with the patent holder, a third company located in another foreign country.

Under the conditions of the contract of sale between the seller and the importer, the latter is required to become a sub-concessionnaire for the licence where the "know-how" contained in the wheelbarrows is concerned, and for this he must pay licence fees of 10 € per wheelbarrow directly to the patent holder.

The importer also pays a licence fee to the patent holder for the right to receive the drawings and plans enabling him to build the patented wheelbarrows for the domestic market. This licence fee is 5 €. per wheelbarrow produced.



Royalties and licence fees



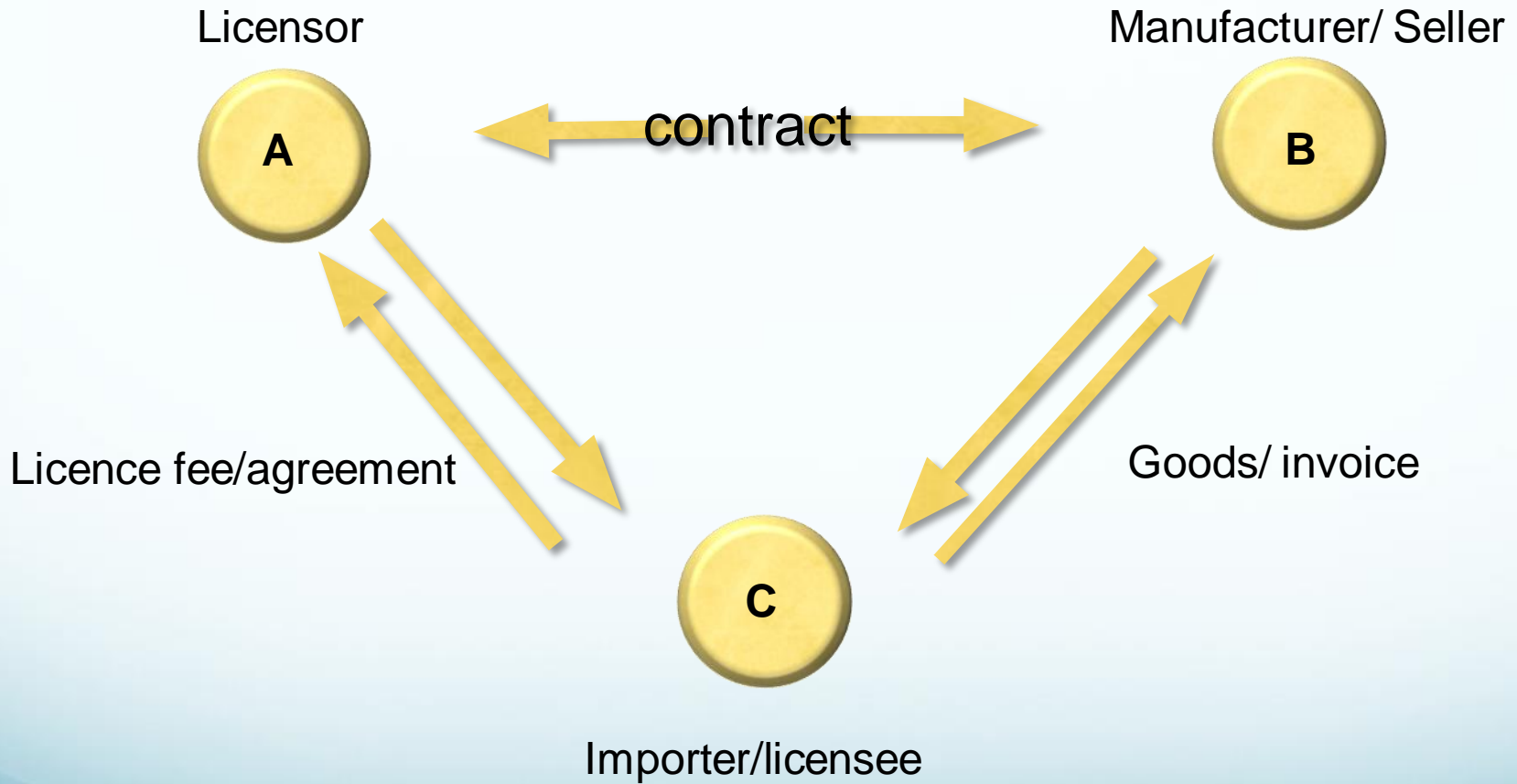
The importer in your country buys another 10 wheelbarrows, but this time without the wheel, from the same seller abroad. The invoice is for € 500 CIF. The importer considered that it would be less costly to manufacture the wheels in the country of importation.

However, for the right to do this the importer must sign a new contract with the patent holder abroad, in order to obtain access to the designs and drawings ("know-how") and must pay € 5 for each wheelbarrow manufactured in the country of importation.

The new arrangements do not include any requirement in respect of the payment of licence fees for the wheelbarrow.



Royalties and Licence Fees

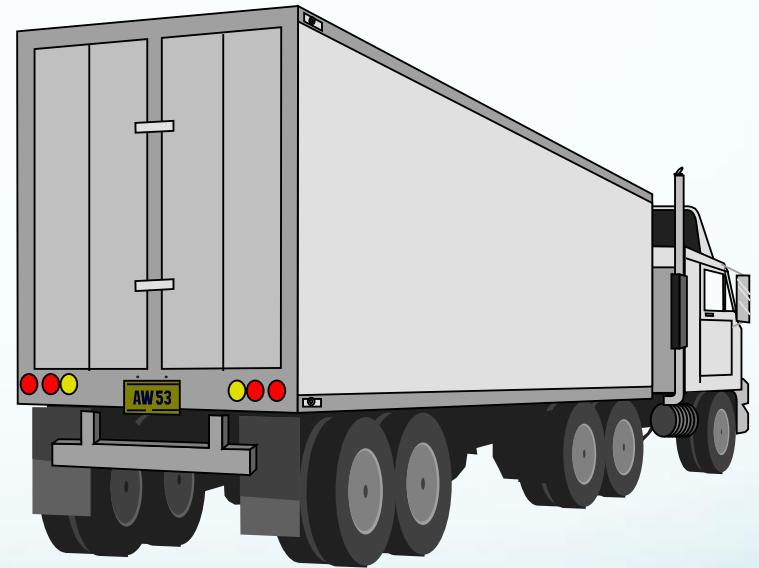


Freight & Insurance (Article 8.2)

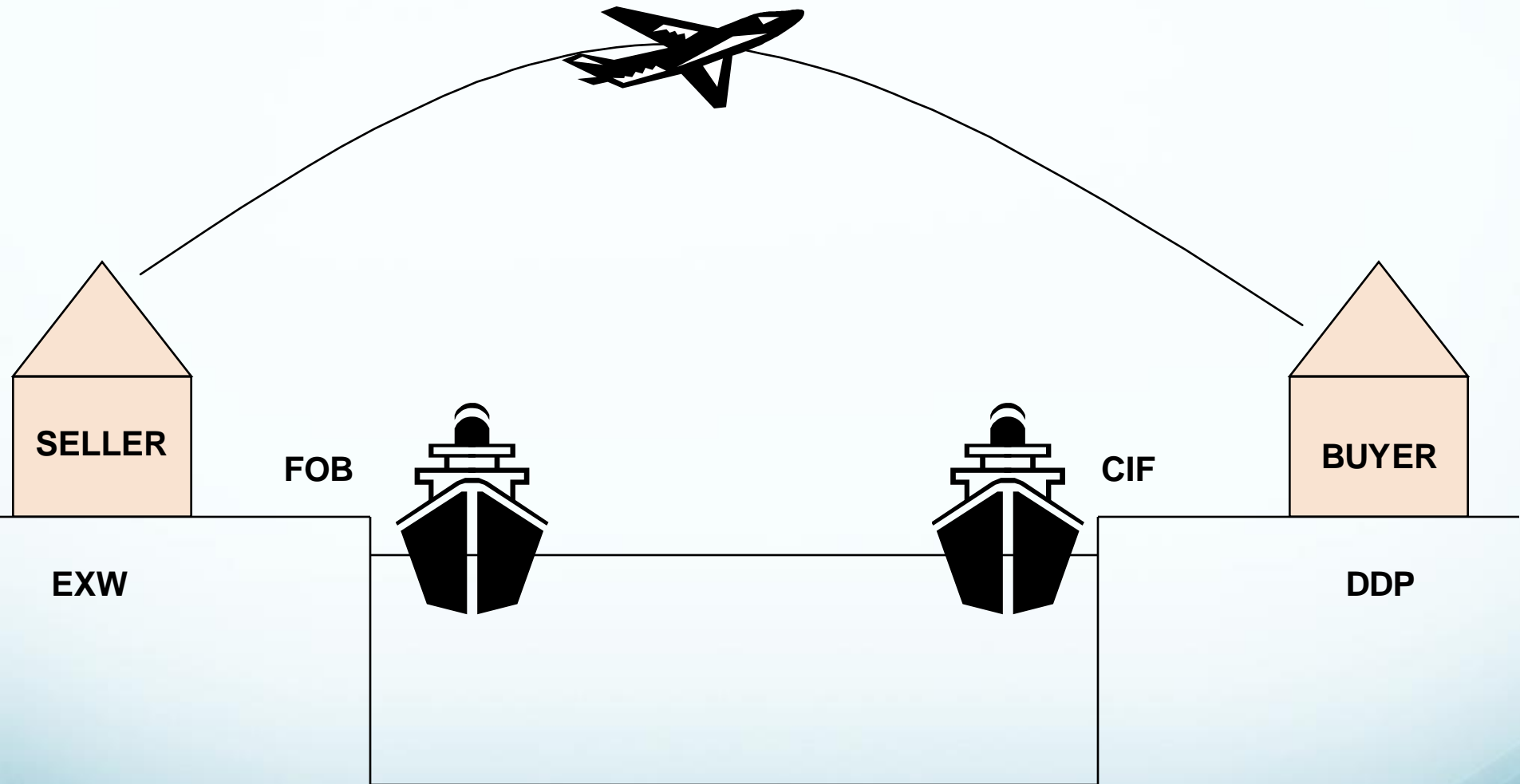
WTO Agreement gives an option to Members ...

... to include in or exclude from the Customs value:

- the cost of transport of the imported goods to the port or place of importation,
- Loading, unloading and handling charges, and
- Cost of insurance



Freight Terms



Transaction Value cannot be used :

...where there are reasons to doubt truth or accuracy of a declared value and procedures outlined in **WTO Decision 6.1** have been followed:

- Give importer opportunity to respond to doubts
- Provide explanation in writing etc.
- Consider rejection of transaction value only when this procedure has been followed

Or ...

...where no sale for export has taken place.

Situations include ...



Examples of no sale

- Goods on consignment
- Goods on hire or lease
- Free samples
- Charity donations
- Scrap for destruction
- Etc.



Thank you
Merci