

Transaction Value

[Article 1]

- Based on “PRICE ACTUALLY PAID OR PAYABLE”
- Has a “sale for export” taken place ?
- Do any conditions/ restrictions apply ?
 - Are buyer and seller related ? If so, has price been “influenced” ?

The price actually paid or payable is...

... the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods. (*Note to Article 1*)

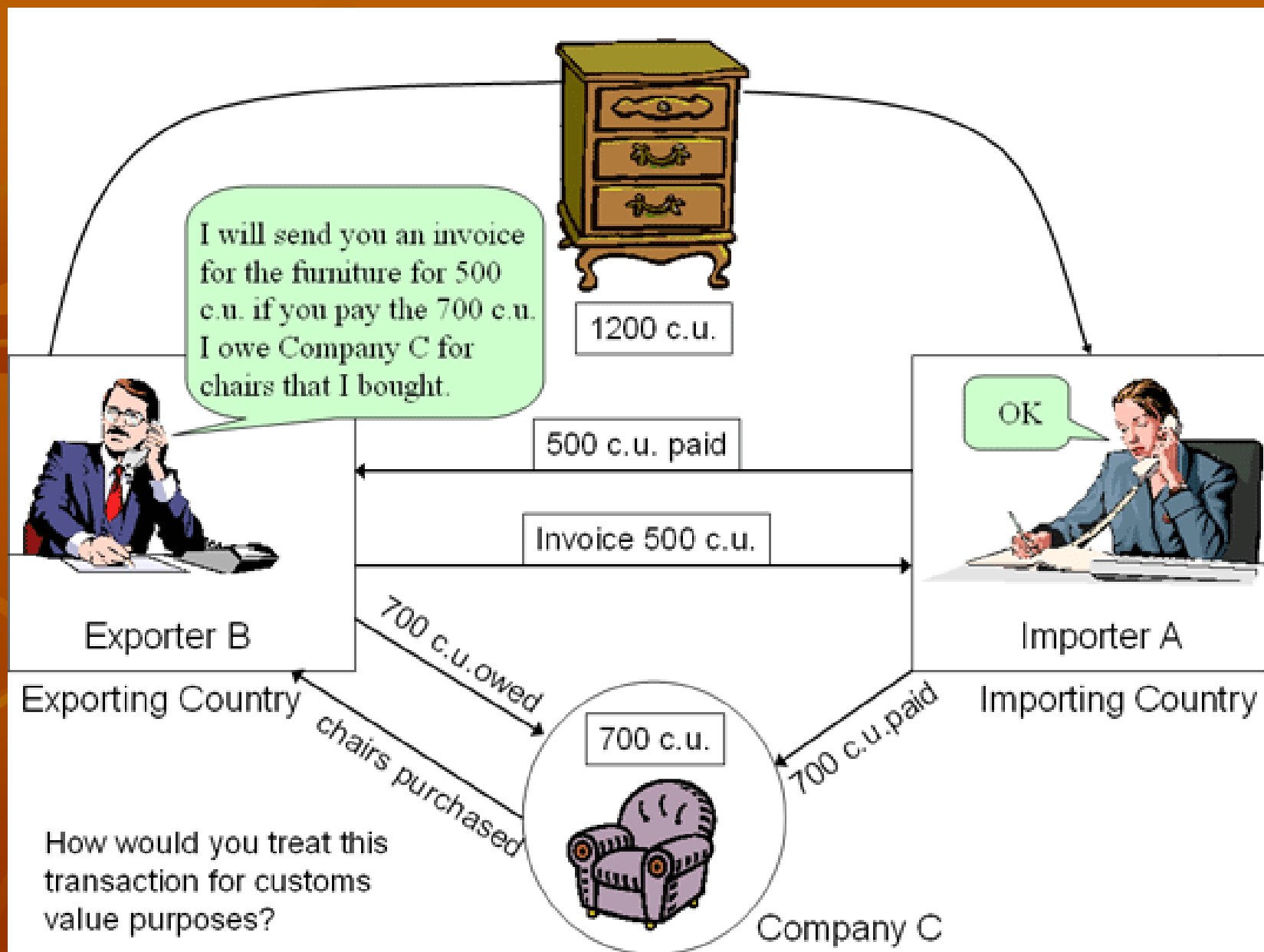
- Need not involve transfer of money. (e.g. could be letters of credit or negotiable instruments)
- Payment may be direct or indirect

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*)

... 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

(*Annex III, para. 7*)

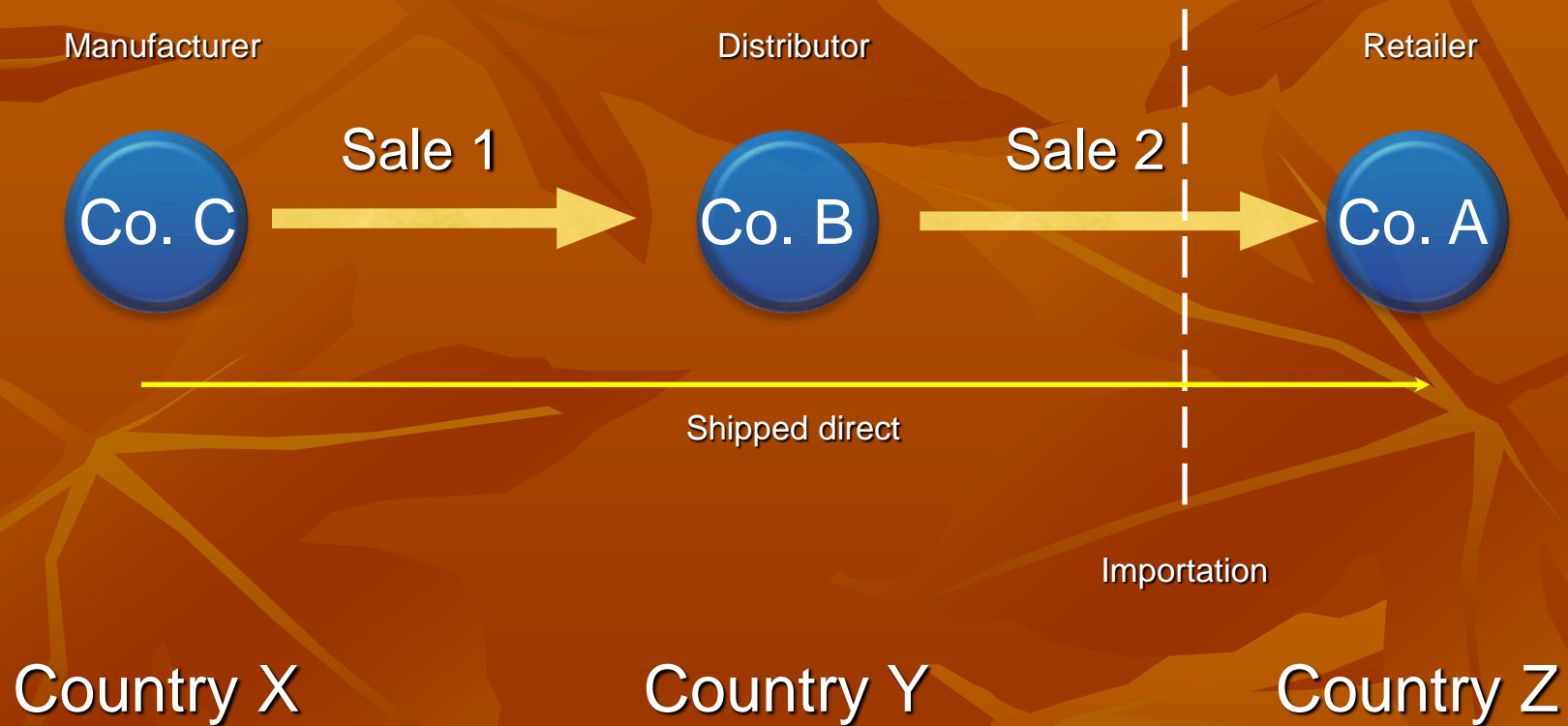


... when sold for export ...

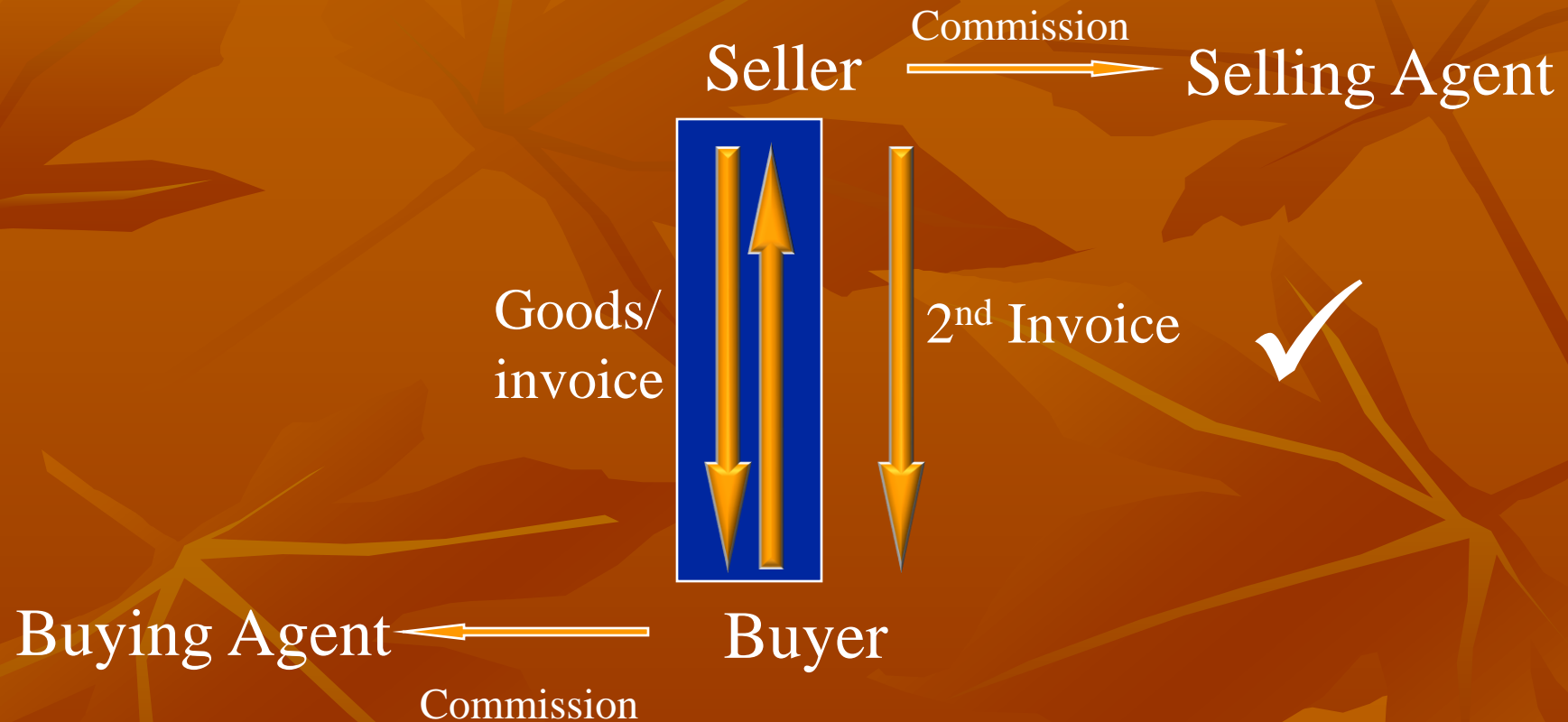
Requires :

- A sale
- An export

Which is the Sale for Export?



Commissions



“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 and plans and sketches (undertaken elsewhere than in country of importation)

“Assists”

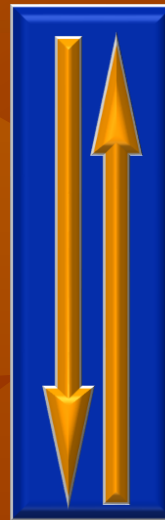
Seller/Manufacturer



Supplied free/
reduced price



Goods/
invoice



Buyer/Importer



Customs Value = invoice + value of zips & buttons

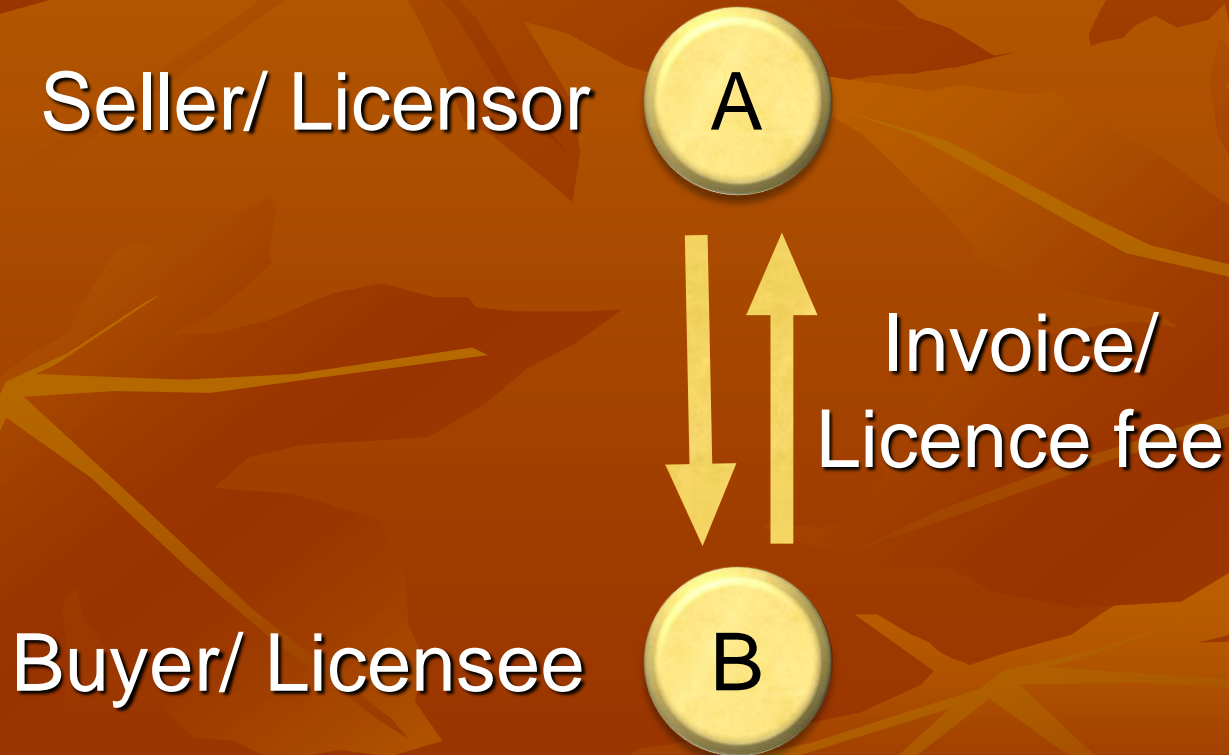
Royalties and Licence Fees

Intangible rights associated with Royalties & Licence Fees

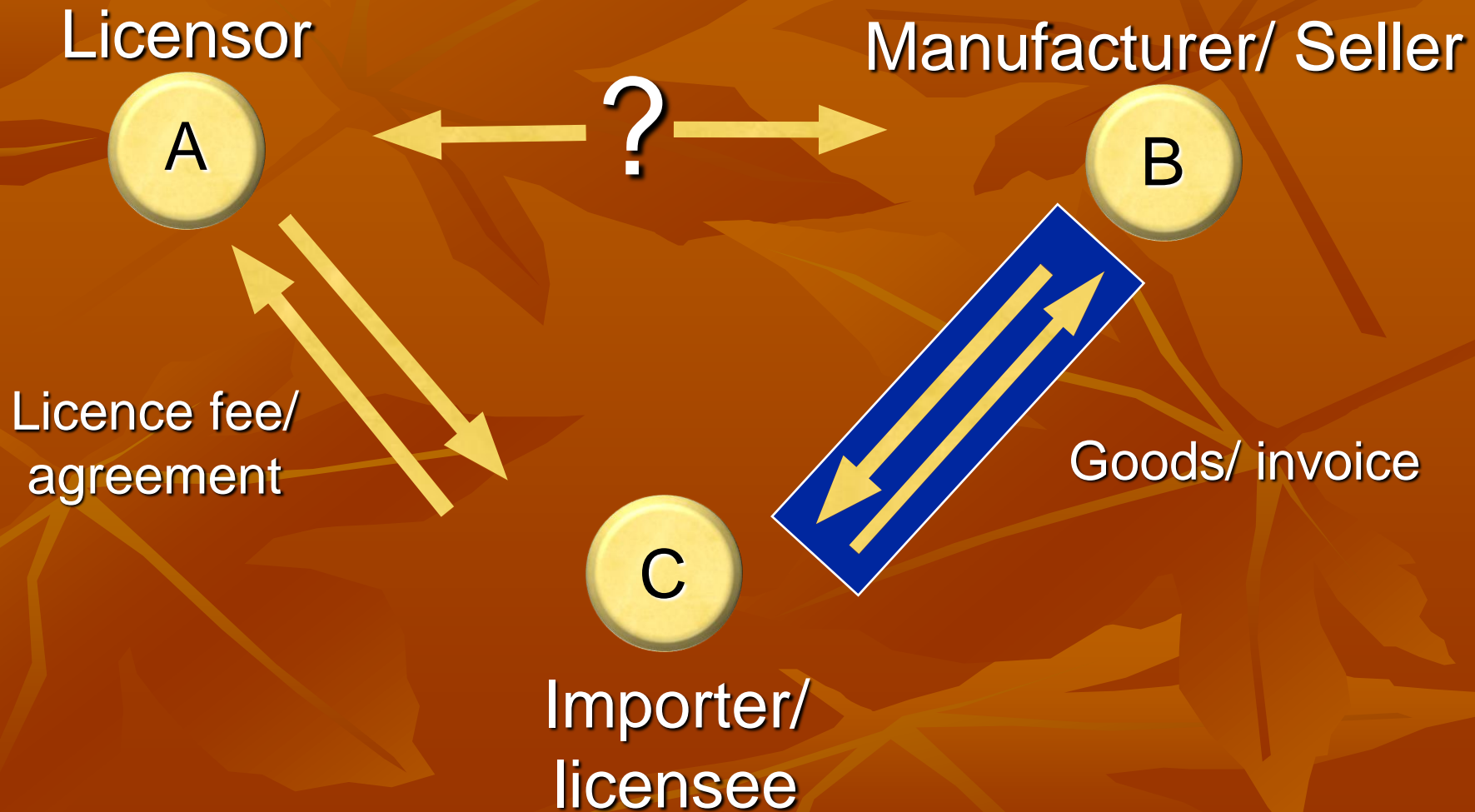
- Patents
- Trademarks
- Copyright
- Conveys the right to use, produce or sell a licenced product.
- Includes : names, ideas, concepts etc.
- Dictionary definition: *“A royalty ... is a percentage of the revenue from the sale of a book, performance of a theatrical work, use of a patented invention ... paid to the author, inventor ...”*.

Royalties (Simple scenario)

“...royalties and licence 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,...”



Third Party Royalties



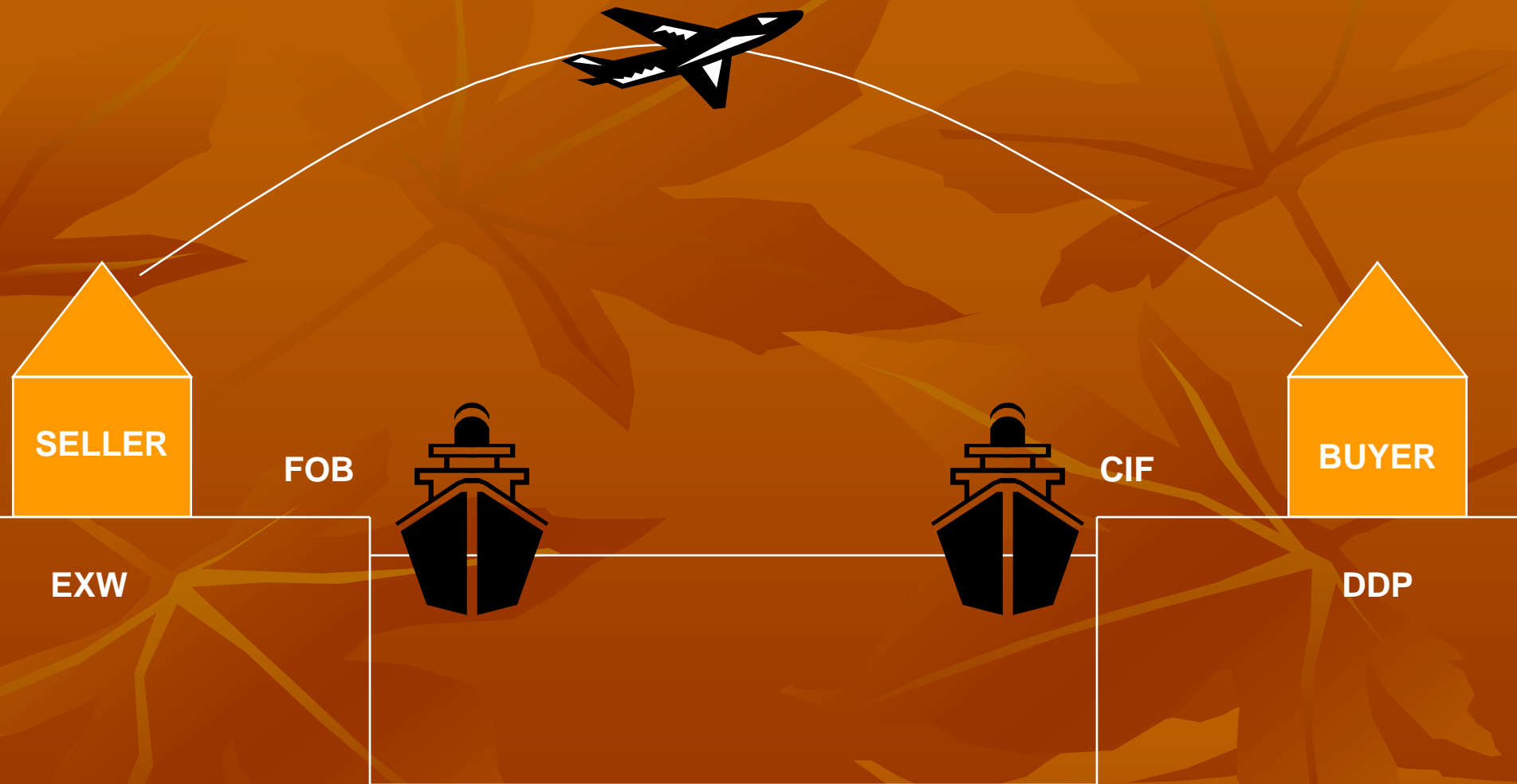
Freight & Insurance

(Article 8.2)

- WTO Agreement gives an option ...
- ...whether or not to include freight charges, etc. on CIF or FOB basis



Freight Terms



Transaction Value cannot be used :

...where there are reasons to doubt truth or accuracy of a declared value ; follow procedures outlined in WTO Decision 6.1:

- Give importer opportunity to respond
- 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.

Alternate Methods of Valuation

- Article 2 – Transaction value of identical goods
- Article 3 – Transaction value of similar goods
- Article 5 – Deductive value
- Article 6 – Computed value
- Article 7 - Flexible use of other methods
(follow high level principles of Article VII)