



**World Customs  
Organization**

# Transaction Value

Knowledge Academy

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# Transaction Value

- The Customs value of imported goods shall be the **transaction value**, that is **the price actually paid or payable** for goods when **sold for export** to the country of importation adjusted in accordance with the provisions of Article 8 of the WTO Valuation Agreement
- Article 1 has to be read together with Article 8
- Conditions to be satisfied to apply Article 1

# The Price Actually Paid or Payable

- The total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods.
  - Need not involve transfer of money. (e.g. could be letters of credit or negotiable instruments)
  - Payment may be direct or indirect
  - Includes all payments actually made or to be made as a condition of sale, by the buyer to the seller, or by the buyer to a third party to satisfy an obligation of the seller (para 7 of Annex III)
- 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)*



# Concept of Sale

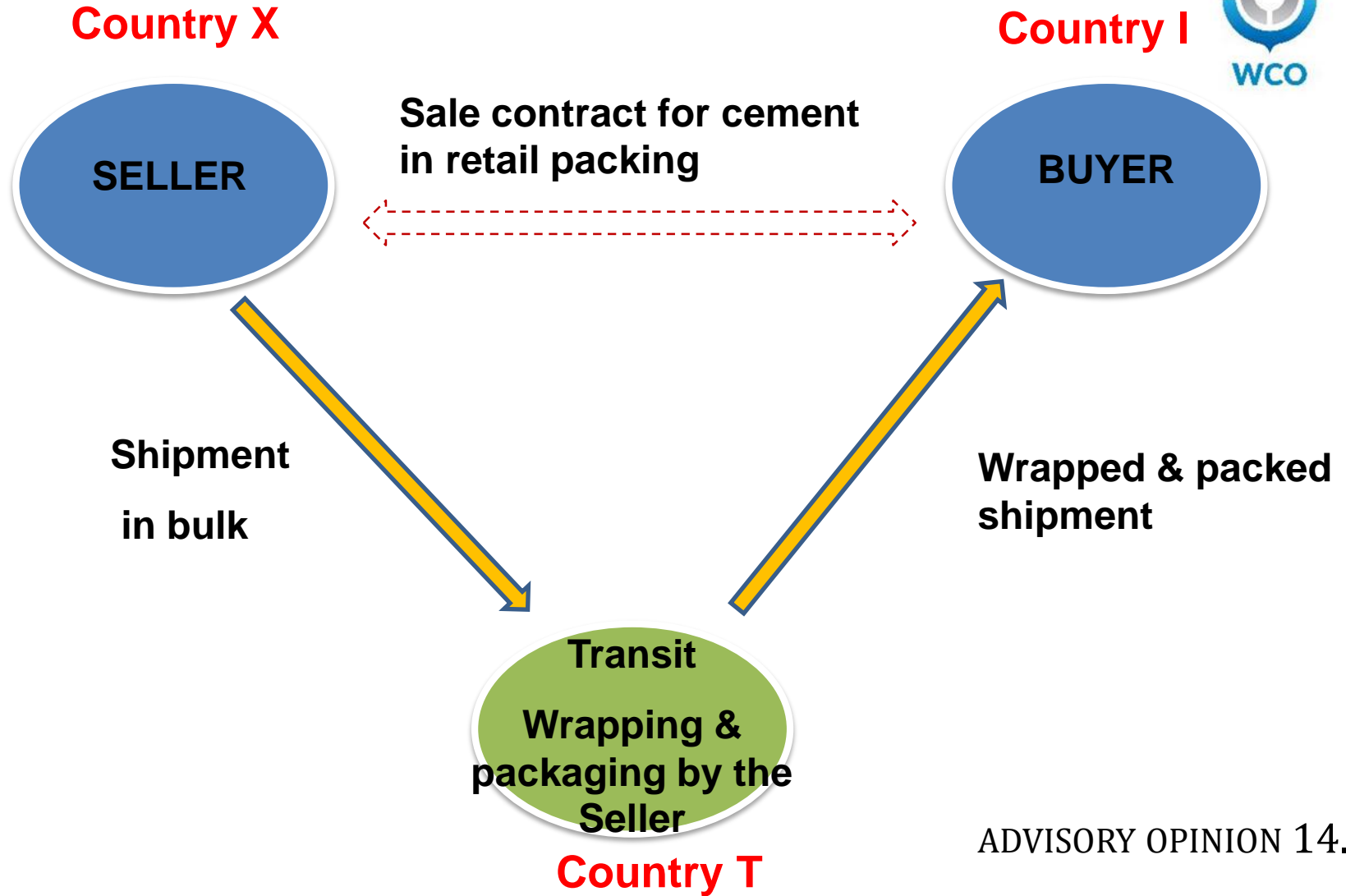
- No definition of “sale” in the Agreement
- Common Meaning of Sale
  - A sale involves the transfer of property from one party to another for some consideration
  - Usually in financial form, the price
  - Offered and agreed

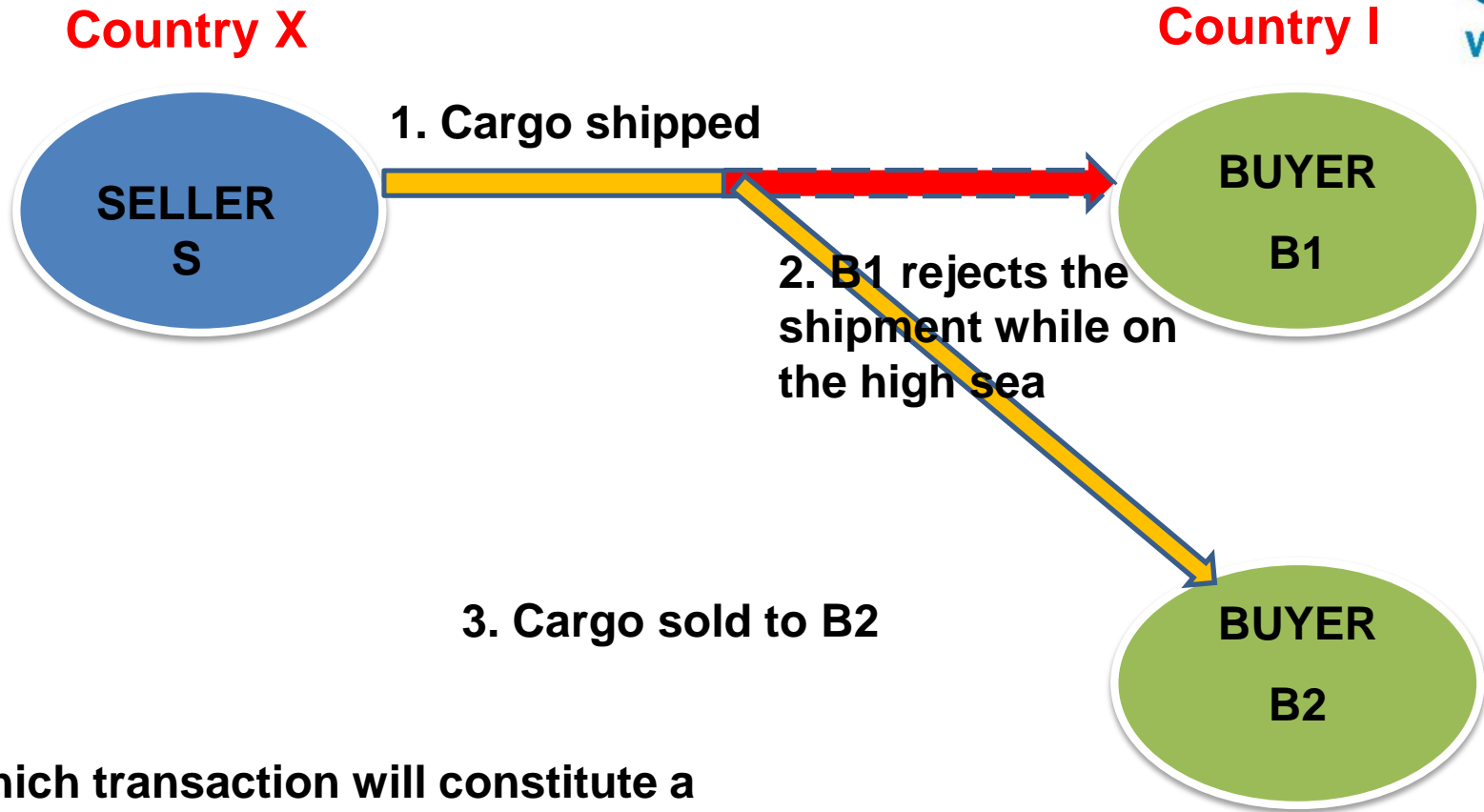
# Concept of Sale

- No sale (A. O. 1.1)
  - Free of charge shipments
  - Goods imported on consignment
  - Goods imported by intermediaries, who do not purchase the goods
  - Goods imported by branches
  - Leased goods
  - Goods supplied on loan
  - Waste or scrap for destruction
  - Goods which are the subject of barter or compensation

# Sold for Export

- Transfer of ownership resulting in the exportation of the goods to the country of importation.
- Only transactions involving an actual international transfer of goods may be used in valuing merchandise under the transaction value method (A.O. 14.1)
- Buyer and seller may be located in the same country

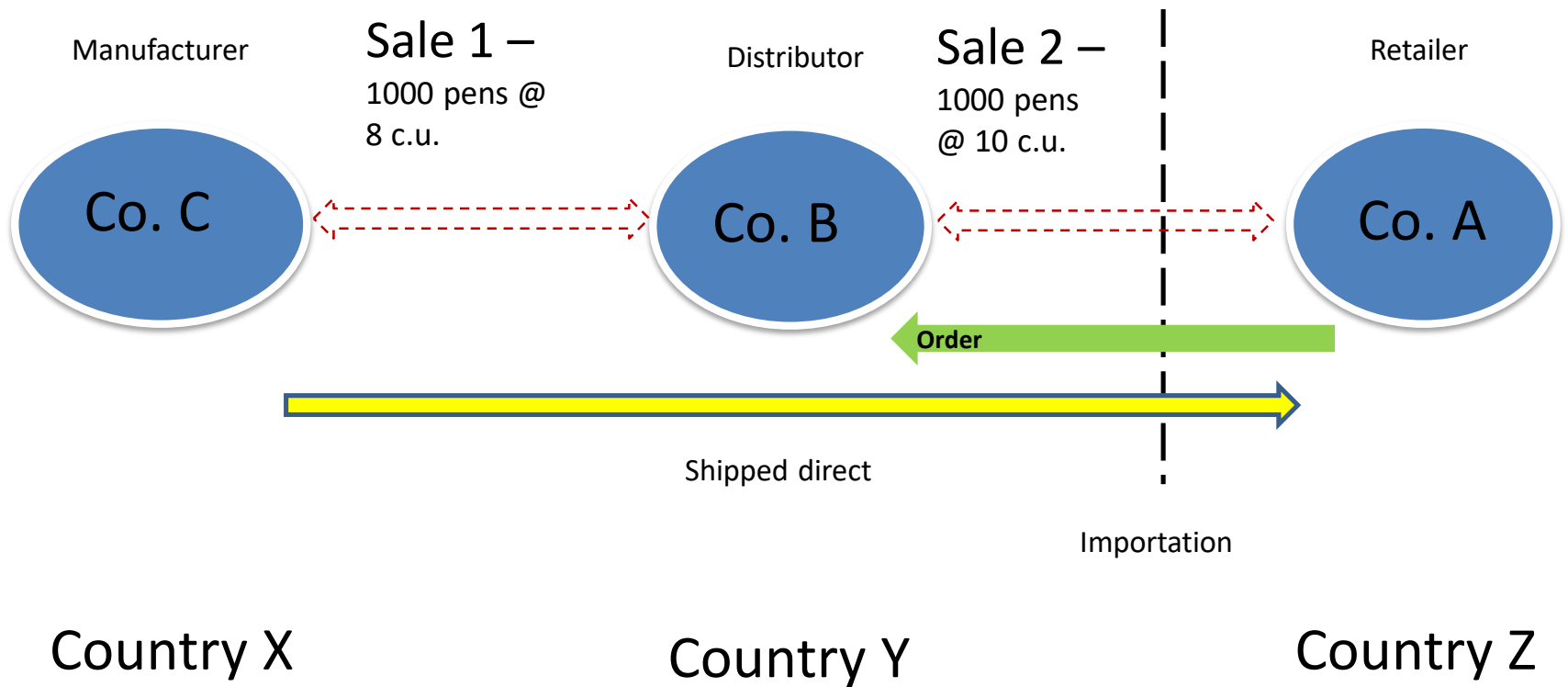




Which transaction will constitute a sale for export to the country of importation?

ADVISORY OPINION 14.1

# Sold for Export (in a series of sales)



# Sold for Export (in a series of sales)



## ➤ Commentary 22.1

*The 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.*

*This is consistent with the purpose and overall text of the Agreement.*

# Conditions to be satisfied

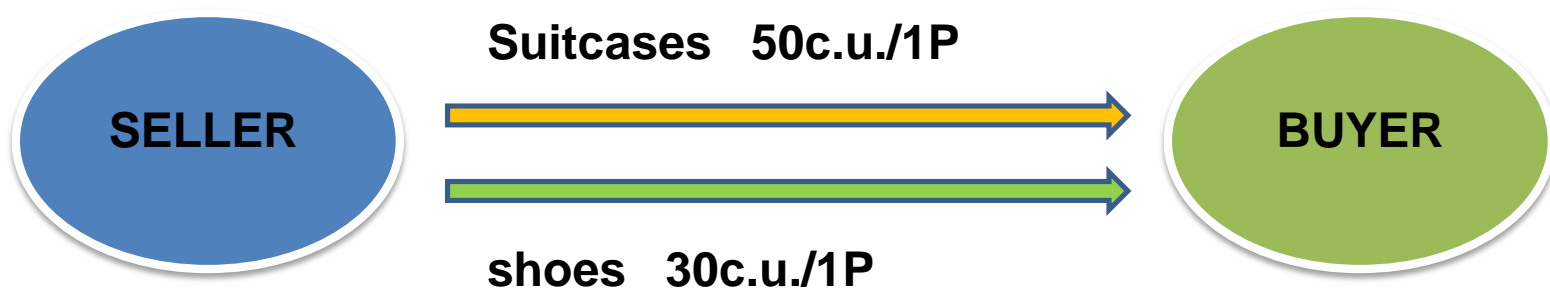


- No **restriction** on the disposition or use of the goods by the buyer;
- The sale or price is not subject to any **condition or consideration** for which a value cannot be determined with respect to the imported goods;
- No **proceeds** from the resale of the goods will accrue to the seller;
- The buyer and seller are not **related** or if related the transaction value is acceptable for customs purposes.

# Conditions to be satisfied

- **condition or consideration** for which a value cannot be determined with respect to the imported goods

Example1: the seller establishes the price of the imported goods on condition that the buyer will also buy other goods in specified quantities.

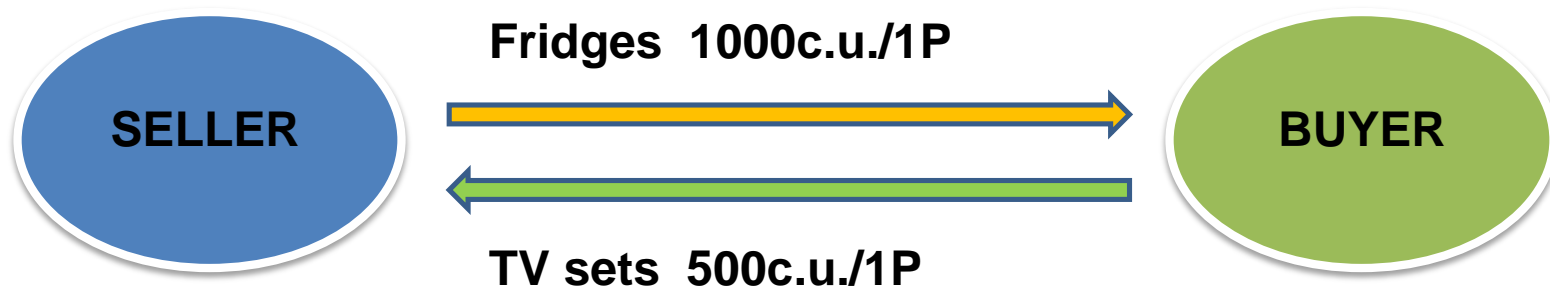


# Conditions to be satisfied



- **condition or consideration** for which a value cannot be determined with respect to the imported goods

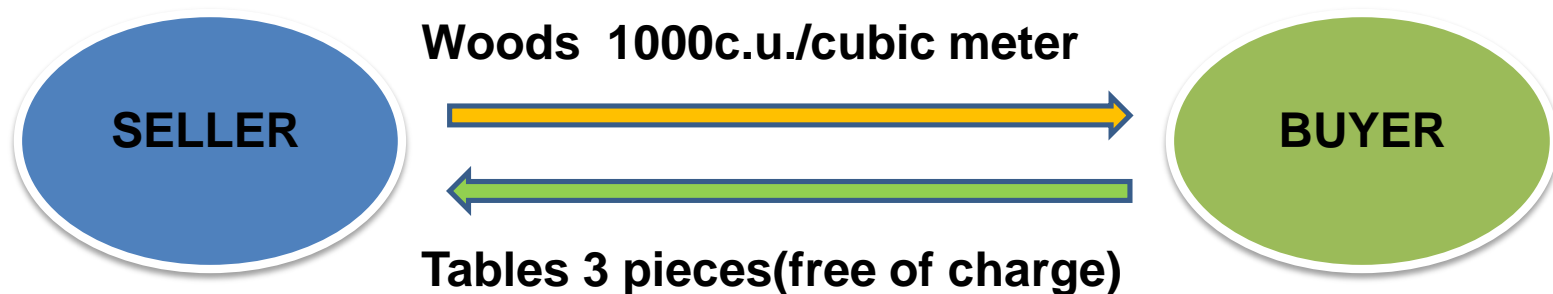
Example2: The price of the imported goods is dependent upon the price or prices at which the buyer of the imported goods sells other goods to the seller of the imported goods.



# Conditions to be satisfied

- **condition or consideration** for which a value cannot be determined with respect to the imported goods

Example3: The price is established on the basis of a form of payment extraneous to the imported goods.



# Conditions to be satisfied

## Proceeds

- 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 8](#)

# Conditions to be satisfied

## Related parties

### Article 1.2(a)

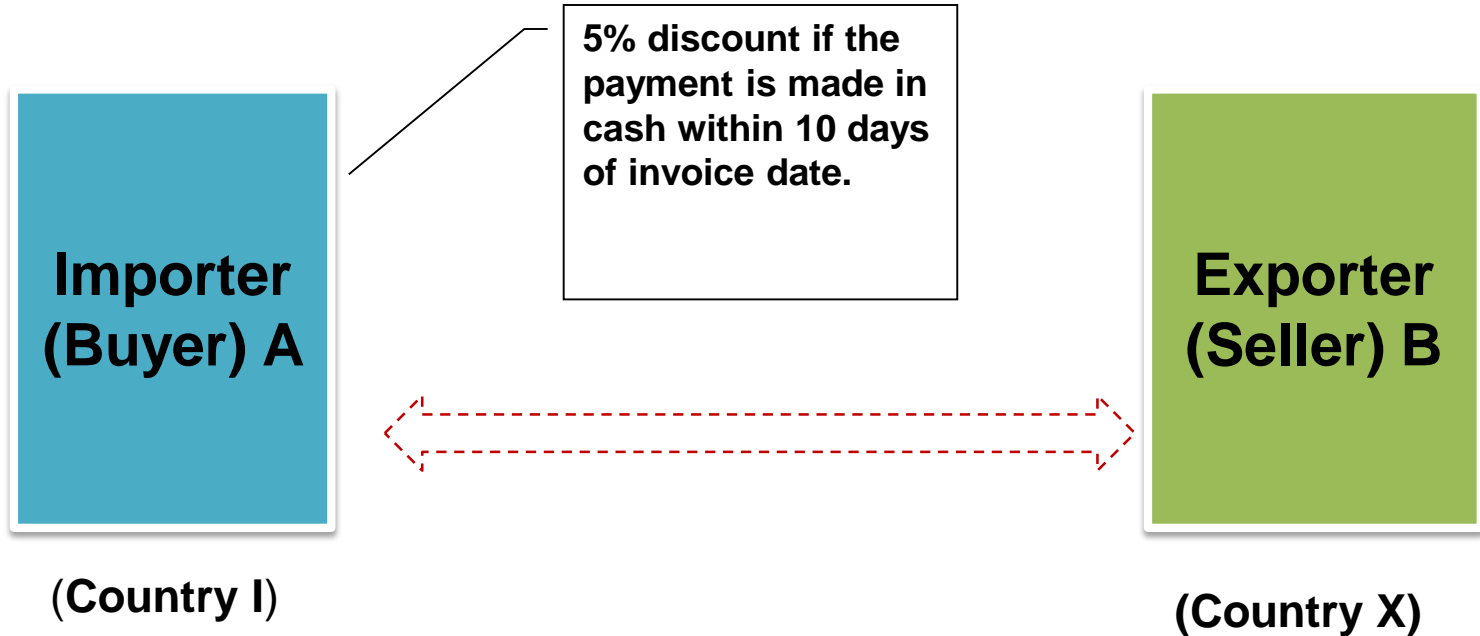
- In determining whether the transaction value is acceptable, the fact that the buyer and the seller are related within the meaning of Article 15 shall not in itself be grounds for regarding the transaction value as unacceptable
- In such cases, the circumstances surrounding the sale shall be examined and the transaction value shall be accepted provided that the relationship did not influence the price

# Discount



- Accepted if they are legitimate
- Negotiated between the buyer and the seller
- Pertains to the goods being valued
- Transaction value is the price actually paid or payable

# Discount (Cash Discount)



# Discount (Quantity Discount)



- Designed to encourage buyers to purchase in bulk
- The larger the quantity ordered, the lower the unit price
- May require several purchases to be made before it takes effect

## Customs could check :

- That the discount offer is genuine.
- How the discount is obtained. If it takes effect retrospectively, deal with as a credit.

# Flash Sales

- promotional sales offered in the short term
- highly discounted prices
- to attract potential purchasers

Question:

- Is Article 1 of the Agreement applicable?

# Flash Sales

- The discounted price for imported goods purchased during a flash sale is accepted as the basis for Customs valuation.
- For applying either the transaction value of identical goods or the transaction value of similar goods :
  - only if these goods fall within a definition set out in Article 15.2 of the Agreement and all the requirements under Article 2 or Article 3 are met.
  - the same commercial practices and market conditions.
  - It is unlikely that the commercial practices and market conditions prevailing under flash sales would exist in situations other than flash sales.

*Advisory Opinion 23.1*

## The Price Actually Paid or Payable on the buyer's own account

- “Activities undertaken by the buyer on the buyer's own account, other than those for which an adjustment is provided in Article 8, are not considered to be an indirect payment to the seller, even though they might be regarded as of benefit to the seller. The costs of such activities shall not, therefore, be added to the price actually paid or payable in determining customs value.”

*(Interpretative Note Note to Article 1)*

## The Price Actually Paid or Payable Excludes: Certain “Charges or Costs”

- “The customs value shall not include the following charges or costs, provided that they are distinguished from the price actually paid or payable for the imported goods:
  - (a) charges for construction, erection, assembly, maintenance or technical assistance, undertaken after importation on imported goods such as industrial plant, machinery or equipment;
  - (b) the cost of transport after importation;
  - (c) duties and taxes of the country of importation.

*(Interpretative Note to Article 1)*



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**Thank you**

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