



CASE STUDY ON CUSTOMS VALUATION

(PUBLIC USE)

**Developed by the Working Group on Customs Valuation with the support
from JICA and WCO**

**under the Project on Capacity Development for International Trade
Facilitation in the East African Region**

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The Project on Capacity Development for International Trade Facilitation in the Eastern African Region

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INTRODUCTION OF CASE STUDY ON CUSTOMS VALUATION

Five Revenue Authorities in East Africa, namely OBR, KRA, RRA, TRA and URA, with the support by JICA implemented the so-called Master Trainers Programme (MTP) under the Project on Capacity Building for the Customs Administrations of the Eastern African Region (Phases 2) from January 2010 to March 2013. The MTP aims at increasing the number of well-experienced in-house trainers of Revenue Authorities in East Africa to enhance knowledge and skills of Customs officers and Customs agents. As a result, a total of 53 officers from OBR, KRA, RRA, TRA and URA were certified as Master Trainers (MTs) in the areas of Customs Valuation (CV), HS Classification and Intelligence Analysis (IA) under the Project.

In order to further improve their skills and knowledge, as well as to make the training materials more practical and effective with due attention to the regional issues and challenges faced by both Customs administrations and business communities in East Africa, five Revenue Authorities agreed to continue its support for MTs in the succeeding Project on Capacity Development for International Trade Facilitation in the Eastern African Region (Trade Facilitation Project) from December 2013 to December 2017. Under the Trade Facilitation Project, refresher training was initiated for those MTs on Customs Valuation, HS Classification and Intelligence Analysis in February 2015. In this refresher training on Customs Valuation, the number of participants was expanded to 38 in total by inviting prospective successors of MTs and they formed a Working Group and worked collectively to develop a regional case study book which covers a variety of scenarios.

This case studies book is a reference source for readers to understand how the Customs value is determined in certain cases and also encourages all stakeholders to understand and apply the International Standards more properly. Therefore, the cases are presented in a way for readers to think and understand – by presenting a transaction fact, then with a challenger's opinion on what is the possible assumption in determining the Customs value, then followed with a review of the case and presenting the reasons to reach the Customs value.

These case studies have been developed by participants from OBR, KRA, RRA, TRA and URA to the refresher training under the Trade Facilitation Project in East Africa through a series of workshops and a number of intersessional discussions with the support of experts from Japan Customs and the World Customs Organization (WCO).

- NB (1) Each case is based on a particular scenario and readers should keep in mind that any changes of the facts may result in a different conclusion.
- NB (2) The cases presented are based on the context of the East Africa region, where the Eastern African Community Customs Management Act (EACCMA) is applied. The Customs value includes the cost of insurance and transport cost as per Para 9 (2) of EACCMA Forth Schedule, except that in case of imports by air no freight costs are added to the price paid or payable.
- NB (3) The conclusions drawn in these case studies should not be considered as an official WCO interpretation of the WTO Valuation Agreement. Readers are encouraged to refer to the reference materials indicated for further information.

ACKNOWLEDGEMENT

We greatly acknowledge and appreciate the full support, recognition and encouragement given by the management of Revenue Authorities of Burundi, Kenya, Rwanda, Tanzania and Uganda to enhance more skills and expand the pool of the Master Trainers on Customs Valuation based on the success of the Master Trainers Programme (MTP) implemented under the Project on Capacity Building of the Customs Administrations in the Eastern African Region.

Under the new Project on Capacity Development for the International Trade Facilitation in the Eastern African Region, this Regional Refresher course for Master Trainers on Customs Valuation were initiated since March 2015. The participants for the refresher course formed a Working Group on Customs Valuation, and they prepared, reviewed, finalized a case study book on Customs valuation in a series of Working Group activities with the support from Japan International Cooperation Agency (JICA) and the World Customs Organization (WCO).

Special thanks go to the support and technical assistance provided by JICA, Japan Customs and the WCO. This acknowledgement would not be complete without mentioning the continued guidance and support provided by experts and facilitators of the Project; namely, Mr. Masahiro Kikuchi and Mr. Makoto Uchiyama, former Chief Advisors and Mr. Yoshihiro Kosaka, Chief Advisor of the Project, Mr. Shingo Tanagami, former Advisor on Customs Administration of the Project, Mr. Shigeaki Katsu, Ms. Kayoko Ohashi, Mr. Kazushige Saito, Ms. Chika Maeda and Mr. Yasuhiro Ida, Japan Customs Valuation Experts, Mr. Ian Cremer, WCO Valuation Expert, Mr. Donald Tindamanyire, Principal Customs Officer (Tariff and Valuation), EAC Secretariat, Ms. Fumiyo Takai and Ms. Yoko Konishi, Project coordinators, Mr. Allan Morgan, Ms. Alice Kananu, Ms. Faith Murugu and Ms. Yoko Mbugua, Project Team.

Finally, we hail this working group members and master trainers for their dedication and the good team work, which made completion of this case study book a success. The Working Group members under the new Phase, including former members, are: Kubwimana Judith, Ndorimana Charles, Nziza Alain Brice, Manicuye Caline, Mbakuye Eddy, Lina Karire, Jean Bosco Nahayo (**BURUNDI**), Abakuk Kasibo, Ebby Khaguli, Esther Watene, Fridah Kimani, Vincent Gituma, Victor Mungai, Stanley Sang (**KENYA**), Jimmy Mwesigye, Rugema Lucien, Musekweya Beatrice, Uwineza Sonia, Mutesi Edith, Gashema Jacques (**RWANDA**), George Mnyitafu, Narcis Lumumba, Mary Lyakurwa, Giliard Mgedzi, Dennis Urrio, Glory Matemba (**TANZANIA**), Kagumire Abel, Kiconco Kellen, Winyi Isaac, Elimeleki Acidri, Mulindwa Ephraim, Uponja Emmanuel (**UGANDA**).

Foreword

Today's global environment has changed the role of Customs administrations from just mere revenue collection to include the role of facilitating trade and protecting society in order to promote economic development and safety and security of the people. With this background and under the common protocol of the East African Community (EAC), the region has implemented a number of key initiatives; implementation of the Single Customs Territory (SCT), development and adoption of various regional legal and instruments such as EAC Customs Management Act and Regulations, the One Stop Border Post (OSBP) Act, various trade facilitation efforts such as regional Time Release Studies and harmonization of Customs procedures, upgrade of Customs Management systems, introduction of the Authorized Economic Operators (AEOs) Scheme etc. in line with the international standards. These simplified and harmonized customs procedures as well as strengthened and coordinated enforcement mechanism are positioned as one of the priority areas in the Medium-term Corporate and Strategic Plans of the respective Revenue Authorities in the region along with the enhanced revenue collection and compliance

It should be noted that the Technical Cooperation Project, which has been implemented since 2007 by the respective Revenue Authorities in the region and JICA, has been instrumental to advance key reform agenda as well as building capacity of the Customs administrations. One of its flagship program, the Master Trainer Program (MTP) which started way back in 2010, has made a great impact to build a pool of regional trainers among our own institutions and set a sustainable and self-contained capacity building mechanism by raising regional trainers and our own training materials.

The program has been implemented in the areas of Customs valuation, HS classification and intelligence analysis. Based on the success of the program in the previous project, the new Phase has focused to develop regionally-featured case study books and training materials in the respective areas while refreshed advanced skills of trainers in the subject areas and expanded more pool of resources in the region. We are all committed to utilize these valuable assets (trainers and training materials) to further strengthen the knowledge and skills of both Customs officers and Customs clearing agents in the region thereby promoting smooth flow of legitimate trade for economic development.

We appreciate the support by Japan Customs, WCO and JICA, who relentlessly avail their resources and experts to make this program another success. With their support, we have been able to further enhance the capacity of both Customs officers and Customs clearing agents as evidenced in the recently-conducted Terminal Evaluation.

It should be further noted that the Project facilitated coordination among the agencies and the Partner States, and this regional collaboration and network is now our great asset to move the regional integration effectively.

Mr. Audace Niyonzimana
Commissioner General
Office Burudais des Recettes

Mr. John K. Njiraini
Commissioner General
Kenya Revenue Authority

Mr. Richard Tusabe
Commissioner General
Rwanda Revenue Authority

Mr. Charles Kichere
Commissioner General
Tanzania Revenue Authority

Mrs. Doris Akol
Commissioner General
Uganda Revenue Authority

Foreword

The Case Study books on Customs Valuation and HS Classification as well as the Post-Seizure Analysis (PSA) Training Materials on Intelligence Analysis have been developed by a team of Customs officials who are members of the Master Trainers Programme under the JICA Project on Capacity Development for International Trade Facilitation in the East African Region.

The Case Study books and training materials will be a tool premised on the EAC Customs instruments which include among others, the EAC Customs Union Protocol, EAC Customs Management Act, EAC Customs Union Common External Tariffs, EAC Rules of Origin, EAC Customs Management Regulations, EAC Customs Compliance and Enforcement Regulations, EAC procedure manual, EAC customs Valuation manual and EAC Post Clearance Audit Manual.

To enhance Customs training and its professionalism, an EAC Customs Training Curriculum has been developed for the purpose of harmonizing the training in all the Partner States to promote effective skills development and service delivery. An EAC Trainers' Guide has been developed to provide for a common approach in delivery of Customs trainings by trainers in the EAC region.

These Case Study books and training materials, together with the Handbooks produced in the previous project, will be reference training materials in teaching and learning in support of the above EAC training tools.

On this occasion, I also congratulate the members of the Master Trainers Programme who were drawn from all the five EAC Partner States. They have successfully developed the training materials as a regional team for the whole of EAC.

The EAC is in the process of consolidating the Customs Union through establishment of a Single Customs Territory. The Single Customs Territory has facilitated faster clearance of goods, reduced cost of doing business and intends to facilitate free circulation of goods across the region, hence promoting trade facilitation within and for the Region. These Case study books and training materials therefore come in handy as a tool for the realization of trade facilitation in the region.

I would like to extend my sincere appreciation to JICA and WCO for the financial and technical support provided in the development of these case study books and training material. We appreciate that the ties JICA has built with EAC have continued to strengthen particularly in support of Customs reforms and modernization in EAC. We pledge our commitment to sustain the relationship and wish to affirm that these products will be tool for training in the East Africa Community.

Mr. Kenneth Bagamuhunda
Director General for Customs and Trade
EAC Secretariat

Foreword

On behalf of Japan International Cooperation Agency (JICA), I would like to express my sincere congratulations to the Working Group (WG) members of the Master Trainers Programme (MTP) on the development of the Case Study Book. This remarkable achievement is surely the result of the efforts made by the members as well as of great contribution of all related partners to the Project on Capacity Development for International Trade Facilitation in the Eastern African Region.

Since 2007, JICA has supported Revenue Authorities of Partner States to enhance the capacity of Customs administrations as well as efficient border clearance to achieve trade facilitation in the region. This includes the introduction and operationalization of One Stop Border Post (OSBP) at Namanga (Kenya/Tanzania) and Rusumo (Rwanda/Tanzania) borders which has also been highlighted under the Japan's initiative at the Tokyo International Conference on African Development (TICAD). In the latest TICAD VI which was held in Nairobi in August 2016, Customs sector was highlighted in the Nairobi declaration and the implementation plan from the viewpoint of a measure of promoting trade facilitation and of a measure of strengthening capacities for cross-border surveillance. It proves that our joint activities have gained further importance for trade facilitation as well as regional integration in the region.

One of the highlighted activities of our Project is the MTP, whose prime goal is capacity development of the Customs officers in the fields of Customs Valuation, HS Classification and Intelligence Analysis. Throughout the programme, the WG members have not only gained skills and knowledge, but also showed tangible products by developing valuable tools for further enhancement of Customs activities in a sustainable manner. JICA believes that this Case Study Book is the culmination of their hard work and utmost efforts throughout the programme. In this regard, I would like to extend my cordial gratitude to our development partners, especially Japan Customs, the WCO and the EAC Secretariat for enriching the quality of this Case Study Book by providing their knowledge and expertise with their dedicated contribution.

I sincerely hope that this Case Study Book would be fully and widely utilized as the essential tool for further capacity development of Customs officers and Customs agents towards effective trade facilitation in East Africa and beyond its boundaries.

Kensuke Tsuji

Director, Public Governance and Financial Management Team

Governance Group, Industrial Development and Public Policy Department

Japan International Cooperation Agency (JICA)

Foreword

On behalf of the WCO, I would like to extend my heartfelt congratulations to the members of the Master Trainers Programme (MTP) on the development of the Regional Case Study Book on Customs valuation. This successful achievement is the result of a series of collaborative activities among the Revenue Authorities in East Africa, the Japan International Cooperation Agency (JICA), Japan Customs and the WCO. It was a great pleasure for the WCO to work together with all these partners in developing this quality instrument.

The global Customs community has recently been stepping up its efforts at reform and modernization, while giving due consideration to the WTO Trade Facilitation Agreement (TFA). The WCO launched the Mercator Programme in order to support such efforts by its Members and is working together with a number of donors and partners. In July 2016, JICA and the WCO launched the WCO/JICA Joint Project on Trade Facilitation in Africa to provide increased support to Customs Administrations in Africa by utilizing their mutual expertise, network and experience. The WCO is therefore delighted to see this Case Study Book as a practical outcome of this newly launched collaboration.

The WCO promotes the 3P concept of Political Will, People and Partnership as a key enabler for effective capacity building. It is encouraging to note that this concept has been welcomed by our partners, and this Case Study Book is an illustration of the mutual commitment towards achieving results under the WCO/JICA Joint Project.

In particular, joint activities have focused on capacity building under the MTP which is specifically designed for the East African project. It is aimed at developing a pool of highly experienced trainers in East Africa in the areas of Customs valuation, HS classification and intelligence analysis, and to develop training materials which reflect the regional trends and needs. The MTP is a good example of a successful capacity building project associated with this 3P concept under the strong leadership and ownership of the Revenue Authorities in East Africa.

Given that this is an extremely valuable tool for the development of East Africa, I sincerely hope that Master Trainers and the Case Study Book are fully utilized by all Revenue Authorities in East Africa in their efforts to support sustainable capacity building. The WCO is delighted to continue working with JICA, Japan Customs and Partner States in order to contribute to the regional development of East Africa.

Ernani Checcucci

Director, Capacity Building Directorate

World Customs Organization

PREFACE

On behalf of the staff at the JICA Trade Facilitation (TF) Project Office and the WCO/JICA Joint Project Unit, as well as the experts from both Japan Customs and the WCO who participated in the activities under the Master Trainer Programme (MTP) on Customs valuation, I would like to express our heartfelt congratulations to the Working Group (WG) members who, thanks to their outstanding collaboration, successfully completed the work involved in producing this Case Study Book. As Chief Adviser to the TF Project, I closely monitored the work undertaken by the WG members and was continually impressed by the willingness, enthusiasm and, more importantly, project ownership and leadership on the part of the WG members in producing this tangible outcome for the benefit of East Africa.

The MTP began in 2010 the last phase of the TF Project in East Africa. It is a unique approach taken by the Project in East Africa which aims at (i) developing a pool of highly experienced trainers on Customs valuation, HS classification and intelligence analysis in East Africa, and (ii) developing training materials and training curriculum for use by Master Trainers (MTs). The collaborative hard work in Phase 2 of the Project resulted in the training of a total of 53 certified Master Trainers in the area of Customs valuation, HS classification and intelligence analysis in East Africa, and the development of the respective handbooks to be used by those MTs and their Revenue Authorities. In the current Phase of the Project, MT refresher courses were initiated and, at the same time, the WG's membership was expanded to include its members' prospective successors. Those WG members agreed to develop regionally featured Case Studies which provide MTs with the capacity to deliver both theoretical and practical training.

In the field of Customs valuation, four WG activities took place during Phase 3 of the Project that led to the completion of the task at hand. Experts from JICA and Japan Customs were initially responsible for supporting the work of the WG, and, in view of the value of the newly launched WCO/JICA Joint Project in July 2016; WCO experts also joined the expert team in extending their collaborative support to WG members. I would like to take this opportunity to offer our sincere thanks to the experts from JICA, Japan Customs and the WCO who contributed to the work and enriched the quality of the Case Studies by sharing their knowledge and expertise.

The ultimate objective of the MTP is simple: to improve the ability of five Revenue Authorities in East Africa to achieve more sustainable and self-contained capacity building. I believe that those MTs have now gained sufficient capacity through their experience, knowledge and confidence, and by means of textbooks, a model curriculum, standard presentations, case studies, model tests and so on. The JICA TF Project team, the WCO/JICA Joint Project and Japan Customs look forward to the active involvement of MTs in the capacity building of both Customs officials and Customs agents in East Africa, thereby contributing to the enhancement of regional integration and development for the prosperity of the people of East Africa.

Yoshihiro Kosaka

Manager, WCO/JICA Joint Project

(Chief Adviser to the Trade Facilitation Project in East Africa)

ABBREVIATIONS

B/L	Bill of Landing
CFR / C&F	Cost and Freight
CIF	Cost, Insurance and Freight, named port of destination
CV	Customs Valuation
DDP	Delivered Duty Paid
EACCMA	The East African Community Customs Management Act
EAC CET 2012	The East African Community Common External Tariff 2012
FOB	Free on Board
HDPE	High Density Polyethylene
HS	Harmonized Commodity Description and Coding System
ICO	Importing Company
IDF	Import Declaration Form
JICA	Japan International Cooperation Agency
KRA	Kenya Revenue Authority
MTP	Master Trainer Programme
MV	Motor Vehicle
OBR	Office Burundais des Recettes
PAPP	Price Actually Paid or Payable
RRA	Rwanda Revenue Authority
TCCV	The Technical Committee on Customs Valuation
TRA	Tanzania Revenue Authority
T/T	Telegraphic Transfer
URA	Uganda Revenue Authority
WCO	World Customs Organization
WG	Working Group
WTO	World Trade Organization
XCO	Exporting Company

TABLE OF CONTENTS

Introduction of Case Study on Customs Valuation	
Acknowledgement	
Foreword	
Preface	
Abbreviations	

Section I: PAPP

1. Treatment of the cost of training to operate machinery undertaken prior to importation.....	1
2. Determination of transportation fee and cost for new rim and tyre.....	3
3. Determination of Customs value in case of advance payment	5
4. When the actual weight is different from declared weight	7
5. Contract Price and PAPP	9
6. Treatment of indirect payment: substitutional payment of seller's debt	11
7. Reduction in price on the account of Advertising	13
8. Treatment of Discounts as a way of settling the obligation of the seller	15
9. Treatment of Discount on account of advance payment	17
10. Determination of installation cost for machinery.....	19
11. Treatment of pre-shipment inspection costs	21
12. Valuation of goods with DDP invoice, where post-importation costs are not distinguishable...	23

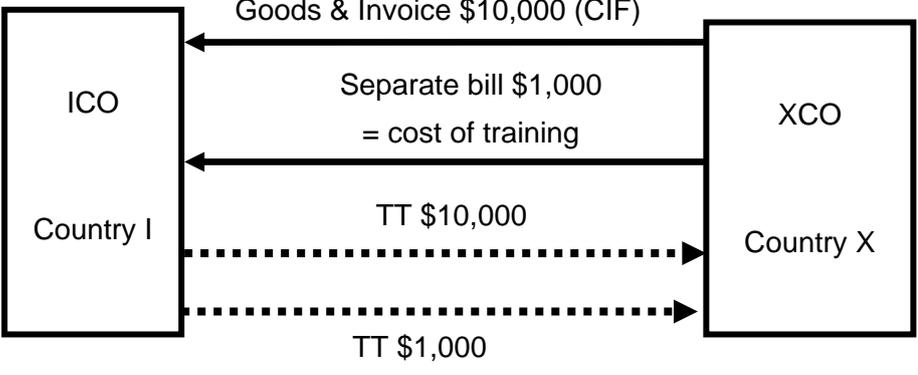
Section II: Adjustment

13. Treatment of buying commission	25
14. Treatment of Assists	27
15. Treatment of Royalty and License fees	29
16. Treatment of Royalties separately paid after importation	31
17. Royalty paid in relation to post importation manufacture of goods done by the importer	33
18. Treatment of Royalties.....	35
19. Treatment of Royalty and Licensing fees	37
20. Extra charges incurred for changing from original vessel to another vessel	39

Section III: Others

21. Treatment of New Vehicle used for a short period in the country of exportation prior to shipment to the country of importation	41
22. Case where the sale is subject to a condition	43
23. Treatment of Related Party Transaction (1)	45
24. Treatment of Related Party Transaction (2)	47
25. Treatment of Related Party Transaction (3)	49

P01

<p>1. Title</p>	<p>Treatment of the cost of training to operate machinery undertaken prior to importation</p>	
<p>2. Question</p>	<p>Name of the imported goods Blow molding Machine</p>	<p>HS code 8477.10.00</p>
	<p>Summary of the question Whether the cost of training of personnel to operate machine undertaken prior to importation as a condition of sale of the machines are part of Customs value of the machines.</p>	
<p>3. Transaction Chart</p>	 <p>The diagram illustrates the transaction between Country I and Country X. On the left is Country I, represented by a box containing 'ICO' and 'Country I'. On the right is Country X, represented by a box containing 'XCO' and 'Country X'. <ul style="list-style-type: none"> A solid arrow points from XCO to ICO, labeled 'Goods & Invoice \$10,000 (CIF)'. A solid arrow points from XCO to ICO, labeled 'Separate bill \$1,000 = cost of training'. A solid arrow points from Country I to Country X, labeled 'TT \$10,000'. A dashed arrow points from Country I to Country X, labeled 'TT \$1,000'. </p>	
<p>4. Details of the Transaction</p>	<ul style="list-style-type: none"> - ICO in Country I entered into an agreement with XCO in Country X to purchase and import blow molding machines for their plastic crate manufacturing plant at \$10,000 CIF value. - ICO presented a commercial invoice to Customs showing the price it paid, T/T records showing evidence of payment that tallied with the commercial invoice amount. - As the machine requires specialized skills to operate and maintain its quality, the seller made it a condition of sale to train personnel to operate the machines at a cost of \$1,000. - No one can purchase these machines without making a payment for the cost of training personnel to operate the machines. 	

	<p>Challenger's opinion</p> <p>The cost of training does not form part of Customs value for the machines because it is separate from the value of the machines.</p>
5. Study of the Case	<ul style="list-style-type: none"> - A study of correspondences obtained from ICO showed that training of personnel at a cost payable to XCO is a condition of sale of the machines. - XCO maintained this condition of sale because the machines require specialized skills to operate and service. In order to maintain its quality standards, this condition applies to all buyers of these machines. - Further evidence shows that ICO actually paid XCO, the cost of training separately by T/T.
6. Conclusion	<p>While the payment for the cost of training is distinguishable from the cost of purchasing imported goods, it is a payment to the seller as a condition of sale. Therefore, the cost of training must be added to the price of the machine and the total amount is the PAPP to the seller.</p>
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 & Note to Article 1 & Paragraph 7 of Annex III - WCO TCCV Case study 7.1 - S122(1) & Paragraph 2 of the 4th schedule to EACCMA, 2004
8. Supporting evidence	<p>T/T records, Sales contracts, Commercial invoices, Email correspondences</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion

P02

<p>1. Title</p>	<p>Determination of transportation fee and cost for new rim and tyre</p>	
<p>2. Question</p>	<p>Name of the imported goods Used motor vehicle</p>	<p>HS code 8703.33.90</p>
	<p>Summary of the question ICO of Country I purchased a used motor vehicle at \$5,000 from XCO of Country X. In addition, ICO paid to XCO \$1,000 to transport this vehicle to the port of exportation. ICO also paid XCO \$500 to fit new tyres and rims to the vehicle before shipping it</p> <p>Should the additional costs of \$1,500 be included in the Customs value?</p>	
<p>3. Transaction Chart</p>	<pre> graph LR subgraph Country_I [Country I] ICO[ICO] end subgraph Country_X [Country X] XCO[XCO] end XCO -- "Vehicle / Invoice (\$5,000)" --> ICO ICO -- "Payment of \$5,000" --> XCO ICO -.-> XCO ICO -.-> XCO ICO -.-> XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO purchased the vehicle at FOB \$5,000 from XCO. ICO also separately paid XCO \$1,000 to transport this vehicle to the port of exportation and \$500 for new tyres and rims before shipping.</p> <hr/> <p>Challenge's opinion The price as per the invoice for the purchased vehicle (\$5,000) only is the basis of the Customs value.</p>	
<p>5. Study of the case</p>	<p>It was confirmed that ICO paid the price of the rim, tyre, and the cost of transportation (\$1,500) on behalf of the seller before shipping, so this forms part of the PAPP</p>	
<p>6. Conclusion</p>	<p>Payments other than \$5,000 (\$1,000 for the transport cost and \$500 for fitting new tires and rims) also have to be included in the PAPP for the</p>	

Case Study on Customs Valuation, 2017

	importation of the vehicle.
7. Reference Materials	WTO Valuation Agreement, Article 1 and Note to Article 1 Fourth Schedule to EACCMA, 2004 Study 1.1
8. Supporting evidence	Invoices, Shipping Documents, Proof of bank transfer

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion

P03

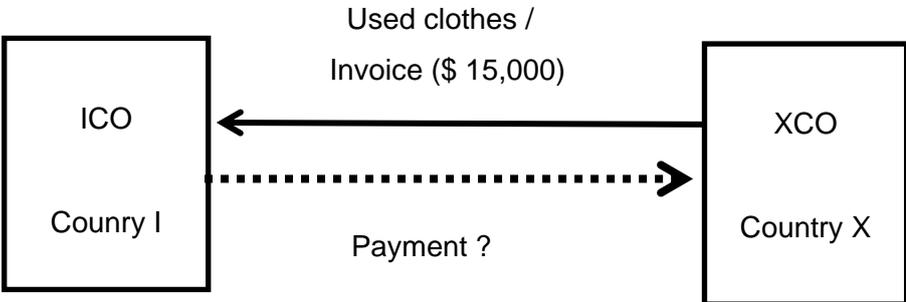
<p>1. Title</p>	<p>Determination of Customs value in case of advance payment</p>	
<p>2. Question</p>	<p>Name of the imported goods Brown Sugar</p>	<p>HS code 1701.99.90</p>
	<p>Summary of the question ICO in Country I imported 600 bags of brown sugar from XCO in Country X and declared \$8,860 (FOB). Customs requested the importer to submit supporting documents (bank transfer and sale contract) to prove the transaction value.</p>	
<p>3. Transaction Chart</p>		
<p>4. Details of the Transaction</p>	<p>When ICO presented the declaration documents to the Customs, ICO was requested to submit a sales contract, which revealed an advance payment of 50% that had not been declared to Customs. The sales agreement stipulated 50% payment after shipment and 50% payment after 30 days from the date of the contract of sale.</p> <hr/> <p>Challenger's opinion ICO presented an invoice issued by XCO as full payment for the imported goods.</p>	
<p>5. Study of the Case</p>	<p>The sales contract and bank transfer provided by the importer to Customs indicated that the amount declared as Customs value was actually the amount of advance payment, which is 50% of the contract amount for 600 bags of brown sugar. When Customs inquired the importer, he admitted that partial advance payment of 50% was done</p>	

Case Study on Customs Valuation, 2017

	after shipment and 50% payment after 30 days from the date the contract of sale was signed. The sales contract amounted to US\$17,720, making a 100% payment.
6. Conclusion	The contract of sale agreement and bank transfer records indicated the total Customs value for the consignment at US\$ 17,720, which is the PAPP for the 600 bags of brown Sugar in addition to a compounded offence per section 203 of the EACCMA, 2004.
7. Reference materials	- WTO Valuation Agreement, Article 1 and Note to Article 1 - Section 2013 & Paragraph 2 of 4th Schedule to EACCMA, 2004
8. Supporting evidence	Sales agreement, Proforma Invoice, Proof of bank transfer (T/T Payment)

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion

P04

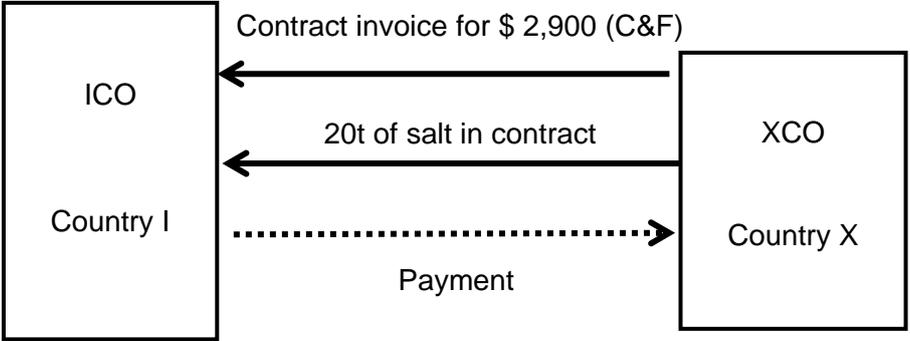
<p>1. Title</p>	<p>When the actual weight is different from declared weight</p>	
<p>2. Question</p>	<p>Name of the importer goods: Used Clothes</p>	<p>HS Code 6309.00.00</p>
	<p>Summary of the question How do we determine the Customs value when the actual weight is different from the declared weight?</p>	
<p>3. Transaction Chart</p>	 <pre> graph LR XCO["XCO Country X"] -- "Used clothes / Invoice (\$ 15,000)" --> ICO["ICO Country I"] ICO -.-> "Payment?" XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I purchased used clothes from XCO in country X. The invoice presented to Customs indicated a price of \$15,000 for the 27,000kgs. At the physical examination of the consignment there was noted a variance between the declared weight and the verified weight if 32,000kgs excess weight of 5,000kgs). That prompted the Customs officials to request for additional information. Documents presented by ICO to Customs had insufficient information.</p> <hr/> <p>Challenger's opinion The price on the invoice should be Customs Value.</p>	
<p>5. Study of the case</p>	<p>Additional weight is indeed established by physical verification by weighing the cargo, which sufficiently raises doubt on the transactional documents information.</p>	
<p>6. Conclusion</p>	<p>Transaction Value cannot be applied due to variance in the declared weight and inaccuracy of documents presented to Customs.</p> <p>Based on Article 17 of the WTO Valuation Agreement and subsequent</p>	

Case Study on Customs Valuation, 2017

	procedures, an alternative method of valuation was applied.
7. Reference materials	<ul style="list-style-type: none">- WTO Valuation Agreement, Article 1 and Article 17- Decision 6- EACCMA 122 (4) and (6)- EACCMA fourth schedule
8. Supporting evidence	Commercial invoices, Proof of bank transfers, Shipping documents, Physical examination report

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P05

<p>1.Title</p>	<p>Contract Price and PAPP</p>	
<p>2.Question</p>	<p>Name of the importer goods: Salt</p>	<p>HS Code 2501.00.00</p>
	<p>Summary of the question What is the treatment in cases where the actual weight of the imported goods is different from the declared weight of the imported goods and the contract invoice?</p>	
<p>3.Transaction Chart</p>	 <p>The diagram illustrates a transaction between two countries. On the left is a box for 'Country I' containing 'ICO'. On the right is a box for 'Country X' containing 'XCO'. Three arrows connect them: a solid arrow from XCO to ICO labeled 'Contract invoice for \$ 2,900 (C&F)', a solid arrow from XCO to ICO labeled '20t of salt in contract', and a dashed arrow from ICO to XCO labeled 'Payment'.</p>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I purchased 1,000 bags (20 tons) of salt at a unit price of \$145 per ton from XCO in Country X and imported them by boat into Country I.</p> <p>In ICO's documents presented to Customs, the total price showed in the commercial invoice was \$2,900 C&F value and the insurance cost was not declared. The bill of lading showed 20 tons of salt delivered to the final destination and the declaration presented to Customs for clearing showed the following information;</p> <p>-Value declared : \$2,900 (C&F) - Net weight : 20 tons - Gross weight : 20 tons</p> <p>The consignment was weighed and the actual weight was found to be 25 tons.</p>	

	<p>Customs requested additional documents for insurance and further explanation on variance of declared weight against weighbridge weight</p> <hr/> <p>Challenger's opinion Should the 5 tons be added to the Customs value?</p>
<p>5. Study of the case</p>	<p>Additional weight is indeed established by physical verification by weighing the cargo, which sufficiently raises doubt on the transactional documents information Documents presented by ICO lacked information with regards to additional weight.</p> <p>Country I in its national legislation requires the full insurance incurred in the importation transaction should form part of the Customs value.</p>
<p>6. Conclusion</p>	<p>Variance in weight alone cannot preclude the use of transaction value but in view of article 17 Customs requested ICO to provide further explanation and all documentation of which ICO failed to provide, hence Customs recommended use of alternative method in line with WTO Valuation Agreement based on the verified weight of the consignment.</p> <p>With regards to insurance, as per fourth schedule of EACCMA, 2004 9 (2) c the cost of insurance is to be computed and added to the determined C&F value. Furthermore, decision 4.2.4 of EAC Meeting of the Sectoral Council on Trade, Industry, Finance and Investment as gazzetted held in Arusha, Tanzania, on 22 May 2015, a harmonized rate of 1% where insurance is not ascertainable.</p>
<p>7. Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1, Article 8.2(c) and Article 17 - Decision 6.1 - Para 4 and 6 of Section 122 to be read with the fourth schedule of EACCMA, 2004 - Fourth Schdule EACCMA, 2004 9 (2) c
<p>8. Supporting evidence</p>	<p>Commercial invoices, Proof of bank transfers, Shipping documents, Weighbridge examination report</p>

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P06

<p>1. Title</p>	<p>Treatment of indirect payment: substitutional payment of seller's debt</p>	
<p>2. Question</p>	<p>Name of the imported goods Refined palm olein</p>	<p>HS code 1511.90.30</p>
	<p>Summary of the question Whether payment to a third party in settlement of the sellers' debt forms part of Customs value.</p>	
<p>3. Transaction Chart</p>	<pre> graph TD subgraph Country_I [Country I] ICO[ICO] end subgraph Country_X [Country X] XCO[XCO] end subgraph Country_C [Country C] TP[Third party] end XCO -- "Goods & CIF \$7000" --> ICO ICO -.-> "T/T \$7,000" XCO ICO -.-> "TT \$3,000" TP TP -- "Invoice & HDPE" --> XCO </pre>	
<p>4. Details of the Transaction</p>	<p>- ICO in Country I entered an agreement with XCO in Country X to purchase refined palm olein and import into Country I. ICO presented the commercial invoice to Customs showing the price it paid to XCO, and a T/T record as evidence of payment that tallied with the commercial invoice amount.</p> <p>- ICO was requested to provide additional documents such as sales contract, T/T records, bank statements to support the declaration based on the invoice price.</p> <p>- According to the sales contract, 30% of the contract price was to be paid in advance to the third party in settlement of XCO's debt. The balance of 70% to be remitted to XCO by T/T upon receipt of the bill of lading.</p>	

	<p>Challenger's opinion</p> <p>The price actually paid directly to the seller which is represented by the invoice amount is the basis of Customs value.</p>
5. Study of the Case	<p>A study of correspondences and sales contracts obtained from ICO showed that 30% of the contract price was to be paid in advance to a third party in settlement of XCO's debt as the terms of payment. The balance of 70% was to be remitted to XCO by T/T upon receipt of bill of lading.</p>
6. Conclusion	<p>WTO Valuation Agreement defines the PAPP as the total payments made or to be made by the buyer to or for the benefit of the seller for the imported goods.</p> <p>The payment of \$3,000 in advance to a third party in settlement of the XCO's debt was for the benefit of the seller and represents an indirect payment to the seller, therefore, it should form part of the Customs value</p>
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 & Note 1.1 to Article 1 - Section 122(1) and Paragraph 2 of the 4th schedule to EACCMA, 2014.
8. Supporting evidence	<p>Commercial invoices, Sales contract, T/T records, Bank statements, Email correspondence.</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P07

<p>1.Title</p>	<p>Reduction in price on the account of Advertising</p>	
<p>2.Question</p>	<p>Name of the imported goods Cement wall putty</p>	<p>HS code 3214.10.00</p>
	<p>Summary of the question Whether a reduction in price given on account of marketing by the importer is acceptable.</p>	
<p>3. Transaction Chart</p>	<p>The diagram illustrates the transaction flow between three entities: ICO (Importer of Country I), XCO (Exporter of Country X), and an Advertising company (located in Country I). - A dashed arrow at the top indicates a Contract \$230/ton between XCO and ICO. - A solid arrow from XCO to ICO represents Goods & Invoice \$210/ton (Including discount \$20/ton). - A dashed arrow from ICO to XCO represents T/T \$210/ton. - A dashed arrow from ICO to the Advertising company represents an Advertisement fee \$20/ton.</p>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I imported wall putty from XCO in Country X and declared value of \$210 per ton. Customs queried the value on the basis that another importer in Country I had bought identical goods from XCO at a higher price.</p> <p>Consequently, Customs requested ICO to provide more information regarding the transaction.</p> <p>ICO provided the sales contract that showed the value was \$230, on the other hand, the invoice showed the value was \$210 because XCO requested ICO to pay a part of contracted value (\$20 per ton) to an advertising company to cater for the advertisement of the goods being valued in Country I on XCO's account.</p>	

	<p>Challenger's opinion</p> <p>The reduction of \$20 per ton should not be taken into account when determining the Customs Value.</p>
<p>5. Study of the Case</p>	<p>In this case, a \$20 per ton reduction had been made specifically because, based on XCO's request, ICO had paid the costs of XCO's marketing campaign for this product in Country I on his behalf. In addition to this, this arrangement could be considered as a condition that the contract price is subject to, however, Article 1 should be still applied because the value of this condition can be determined with respect to the goods being valued.</p> <p>Therefore, the PAPP should be based on the value of \$230 per ton.</p>
<p>6. Conclusion</p>	<p>The price reduction given to ICO by XCO to conduct advertising on XCO's account is an indirect payment for the benefit of the seller and it forms part of Customs value. Therefore, the Customs value is \$230 per ton.</p>
<p>7. Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement Article 1, General Introductory Commentary - Section 122 and Paragraph 2 (c) of 4th Schedule to EACCMA, 2004
<p>8. Supporting evidence</p>	<p>Sales contract, Invoices, Shipping Documents, Proof of bank transfer</p>

Note : The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P08

<p>1.Title</p>	<p>Treatment of Discounts as a way of settling the obligation of the seller</p>	
<p>2.Question</p>	<p>Name of the imported goods Wine</p>	<p>HS code 2204.21.00</p>
	<p>Summary of the question ICO in Country I imported wines from XCO in Country X. ICO is a sole distributor of XCO, with an obligation to conduct advertising in Country I on behalf of XCO. ICO purchased the goods from XCO with a discounted price in return for conducting the advertising activities.</p>	
<p>3.Transaction Chart</p>	<pre> graph LR XCO["XCO Country X"] ICO["ICO Country I"] XCO -.-> Sole Distributor agreement ICO XCO -- "Wines / Invoice (10% discount for advertising costs)" --> ICO ICO -.-> Payment (Invoice value) XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I is a sole distributor of wines imported from XCO in Country X as a XCO's wholesaler.</p> <p>ICO purchased the goods from XCO with a 10% discount for conducting certain advertising activities. ICO declared the wine at the discounted price.</p> <p>Customs requested ICO to provide details about the discount.</p> <hr/> <p>Challenger's opinion The Customs value should be the invoice price excluding the 10 % discount for advertisement.</p>	

<p>5. Study of the case</p>	<p>The cost incurred by ICO in conducting advertising activities on behalf of XCO can be considered as an indirect payment to the benefit of the seller.</p>
<p>6. Conclusion</p>	<p>The 10% discount is not a reduction of the value of the goods, but a way of offsetting the expense which would have been incurred by XCO in conducting certain advertising activities. This “discount” is not an allowable reduction of the PAPP of the goods so the value including the 10% discount is the value of the goods.</p>
<p>7. Reference materials</p>	<p>-WTO Valuation Agreement, Article1, Note to Art.1 -Para 2 and Note to para 2 of 4th Schedule to EACCMA 2004 <i>Annex III, para. 7:</i> The price actually paid or payable 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</p>
<p>8. Supporting evidence</p>	<p>Invoices, Proof of bank transfer, Sales contract</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion

P09

1. Title	Treatment of Discount on account of advance payment													
2. Question	Name of the imported goods Plywood	HS code 4411.12.00												
	Summary of the question Whether discount on account of advance payment is acceptable.													
3. Transaction Chart	<pre> graph LR XCO["XCO Country X"] -- "Contract invoice for \$40,000" --> ICO["ICO Country I"] XCO -- "Supply of plywood" --> ICO ICO -. "Advance Payment \$10,000" .-> XCO </pre>													
4. Details of the Transaction	<p>ICO in Country I purchased plywood from XCO in country X and imported it into I in March 2015.</p> <p>The document issued by the bank shows that ICO made an advance payment of \$10,000 to XCO on February 20th 2015.</p> <p>The contract of sale was concluded between ICO and XCO on 15 January 2015. It specifies that the invoice will be paid within 30 days after the shipment. The conditions stipulate also that if an advance payment of 10% of the contract price or more is made before the end of March 2015, a discount of 10 % of the advance paid will be granted.</p> <p>There is no relationship between ICO and XCO within the meaning of Article 15.4.</p> <p>The commercial invoice shows the following information:</p> <table border="0" style="width: 100%;"> <tr> <td>+ Plywood</td> <td style="text-align: right;">: C&F \$40,000-</td> </tr> <tr> <td>- Advance payment</td> <td style="text-align: right;">: \$10,000-</td> </tr> <tr> <td>- Discount</td> <td style="text-align: right;">: \$1,000-</td> </tr> <tr> <td>+ Cost of insurance</td> <td style="text-align: right;">: \$100-</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total due</td> <td style="text-align: right;">: \$29,100-</td> </tr> </table>		+ Plywood	: C&F \$40,000-	- Advance payment	: \$10,000-	- Discount	: \$1,000-	+ Cost of insurance	: \$100-	<hr/>		Total due	: \$29,100-
+ Plywood	: C&F \$40,000-													
- Advance payment	: \$10,000-													
- Discount	: \$1,000-													
+ Cost of insurance	: \$100-													
<hr/>														
Total due	: \$29,100-													

	<p>Challenger's opinion</p> <p>In this case the discount should not be included in the Customs value.</p>
5. Study of the case	<p>According to Article 1 of the WTO Valuation Agreement, Customs value of imported goods shall be the transaction value, that is the PAPP for the goods when sold for export to the country of importation. The PAPP 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).</p> <p>In this case, the contract price is \$40,000 of which, \$10,000 was paid as an advance payment). In return for making the advance payment, ICO earned a discount of \$1,000, therefore, the discounted amount should not be included in the Customs value.</p> <p>Accordingly, the Customs value in this case is \$39,100</p>
6. Conclusion	The Customs value of this case is the PAPP excluding the discount.
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement General Introductory Commentary - WTO Valuation Agreement, Article 1 & Note to Article 1
8. Supporting evidence	Sales agreement, Proof of T/T

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P10

<p>1. Title</p>	<p>Determination of installation cost for machinery</p>	
<p>2. Question</p>	<p>Name of the imported goods Plant Machinery</p>	<p>HS code 8480.79.00</p>
	<p>Summary of the question ICO of Country I imported new plant machinery from XCO of Country X at \$87,000 CIF value. Customs requested ICO to submit supporting documents (bank transfer and contract). ICO presented a T/T payment of \$102,000 and the sales agreement.</p>	
<p>3. Transaction Chart</p>	<p>The diagram illustrates the transaction between three parties: ICO Country I, XCO Country X, and an Engineer. A dashed box at the top indicates a 'Sales agreement for plant machine at \$102,000' between ICO and XCO. A solid arrow shows 'Plant machine' being sent from XCO to ICO. A solid arrow shows 'Engineer' being sent from XCO to ICO. A solid arrow shows 'Payment (CIF value) \$87,000' from ICO to XCO. A dotted arrow shows 'Payment \$15,000 (for Installation)' from ICO to the Engineer. A dotted arrow shows 'Installation' from the Engineer to XCO. A dashed box at the bottom indicates the 'Installation' service provided by the Engineer to XCO.</p>	
<p>4. Details of the Transaction</p>	<p>ICO purchased a plant machinery at \$87,000 (CIF value) as per invoice. The sales agreement also stipulated that ICO would bear the installation cost of \$15,000.</p> <hr/> <p>Challenge's opinion ICO declares that only the cost of plant machinery on the invoice is the basis for Customs value</p>	

Case Study on Customs Valuation, 2017

5. Study of the case	Although the total amount paid is \$102,000, this includes the Engineering fee (\$15,000) which is a condition of sale but not includable as it is a charge for installation undertaken after importation
6. Conclusion	Customs concluded that the Customs value of the plant machinery is \$87,000 (CIF). Note benefit in value has to be to the seller in Country X for the fees to form PAPP. In this case, these are engineering fees not for sellers benefit rather a third party for their own benefit in terms of rendered services for installation.
7. Reference materials	WTO Valuation Agreement, Note to Article 1.3(a) Section 122 to be read with Fourth Schedule to EACCMA
8. Supporting evidence	Sales agreement, Proforma invoice, Invoice, Proof of bank transfer

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion

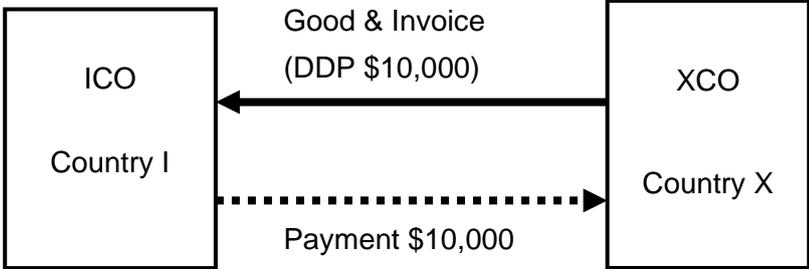
P11

<p>1. Title</p>	<p>Treatment of Pre-shipment inspection costs</p>											
<p>2. Question</p>	<p>Name of the imported goods Ceramic tiles</p>	<p>HS code 6908.90.00</p>										
	<p>Summary of the question ICO in Country I imported ceramic tiles from XCO in Country X. Invoice presented by ICO included the pre-shipment inspection cost, which was paid by XCO in Country X. Whether the pre-shipment inspection costs form part of the Customs value?</p>											
<p>3. Transaction Chart</p>	<p>The diagram illustrates the transaction flow between three entities: ICO (Country I), XCO (Country X), and Company Y (Country J). - A solid arrow labeled 'Goods Invoice' points from XCO to ICO. - A dashed arrow labeled 'Payment T/T' points from ICO to XCO. - A solid arrow labeled 'Inspection' points from Company Y to XCO. - A dashed arrow labeled 'T/T' points from XCO to Company Y.</p>											
<p>4. Details of the Transaction</p>	<p>ICO in Country I purchased ceramic tiles from XCO and imported into Country I. In Country I it is a requirement that all imported goods shall be inspected before shipment to meet the relevant quality standards set in Country I. Therefore, XCO has made the following quotation to ICO;</p> <table border="0" style="width: 100%;"> <tr> <td>FOB value:</td> <td style="text-align: right;">\$20,000</td> </tr> <tr> <td>Freight cost:</td> <td style="text-align: right;">\$2,000</td> </tr> <tr> <td>Insurance:</td> <td style="text-align: right;">\$200</td> </tr> <tr> <td><u>Pre Shipment Inspection fee:</u></td> <td style="text-align: right;"><u>\$1,200</u></td> </tr> <tr> <td>Total CIF:</td> <td style="text-align: right;">\$23,400</td> </tr> </table> <p>In this case, are the inspection fees the buyer paid through the seller</p>		FOB value:	\$20,000	Freight cost:	\$2,000	Insurance:	\$200	<u>Pre Shipment Inspection fee:</u>	<u>\$1,200</u>	Total CIF:	\$23,400
FOB value:	\$20,000											
Freight cost:	\$2,000											
Insurance:	\$200											
<u>Pre Shipment Inspection fee:</u>	<u>\$1,200</u>											
Total CIF:	\$23,400											

	<p>part of Customs value of the imported goods?</p> <hr style="border-top: 1px dashed black;"/> <p>Challenger’s opinion The Customs value should be CIF \$22,200 excluding the pre-shipment inspection fees (\$1,200).</p>
5. Study of the Case	<p>In accordance with the Agreement, the Customs value of imported goods is determined by including certain specific additional costs which are not included in the PAPP.</p> <p>As the quoted pre-shipment inspection is for the benefit of ICO as per the requirement of the ICO’s country and the whole amount was remitted to the inspecting firm, it does not form part of Customs value of the imported goods. However, if only part of the amount is remitted to the inspecting firm, the remaining part forms the Customs value.</p> <p>Therefore, in this case, the fees required for pre-shipment inspection of the imported goods do not form part of the Customs value.</p>
6. Conclusion	<p>Pre-shipment inspection costs are not included as adjustments to PAPP under Article 8 of the WTO Valuation Agreement, and therefore they do not form part of the Customs value.</p>
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 and Article 8 - Para 2 and 8 of the Fourth Schedule to EACCMA, 2004
8.Supporting evidence	<p>Sales contract, Commercial Invoice, Shipping Documents, Proof of T/T</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

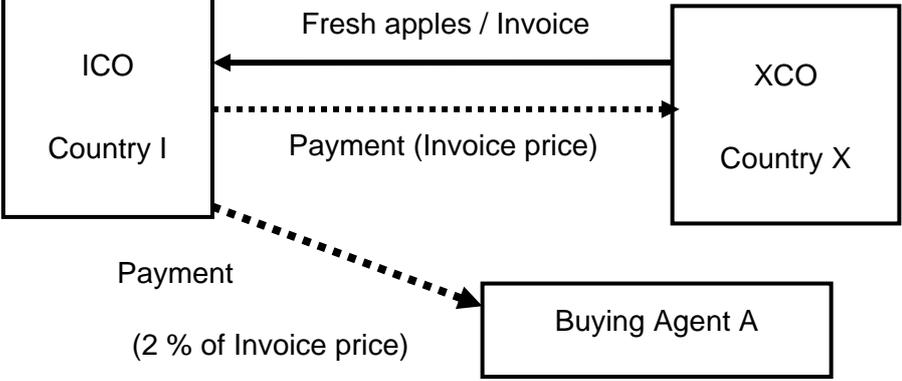
P12

1.Title	Valuation of goods with DDP invoice, where post-importation costs are not distinguishable	
2.Question	Name of imported goods Fish fillets	HS code 0304.90.00
	Summary of the question What is the Customs value for goods imported under DDP terms of delivery when post-importation costs are not distinguishable from the PAPP.	
3.Transaction Chart	 <p>The diagram illustrates a transaction between two countries. On the left is a box for 'ICO Country I' and on the right is a box for 'XCO Country X'. A solid arrow points from XCO to ICO, labeled 'Good & Invoice (DDP \$10,000)'. A dashed arrow points from ICO to XCO, labeled 'Payment \$10,000'.</p>	
4. Details of the Transaction	ICO in Country I submitted an invoice which was showing that the goods were DDP at a total value of \$10,000 supplied from XCO in Country X. As the invoice did not show the breakdown of the post-importation cost and charges, it was not possible to establish the post importation cost and charges that were not supposed to be part of the Customs value.	
	Challenger's opinion Post-importation costs and charges should be excluded from DDP	
5. Study of the Case	According to paragraph 3 of the Interpretative Notes to Article 1, the cost of transport after importation, duties and taxes in the country of importation shall not be included in the PAPP so long as they are distinguished. The DDP invoice contained dutiable and undutiable cost elements. In order to establish the appropriate Customs value, the importer was requested to submit sales contract showing details of the transaction made.	

	<p>The importer failed to submit evidence of post importation costs and expenses incurred to deliver the goods to his/ her premises.</p> <p>The importer was advised that because he failed to provide breakdown for inland transport and, taxes and duties the declared value will not be considered as transaction value. However, the DDP value minus the duties which is distinguishable will be taken as the Customs value.</p>
6. Conclusion	Based on ICO's failure to provide the break down of post importation costs and charges, the goods were valued as DDP less taxes and duties
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 - General Commentary - WCO TCCV Advisory Opinion 3.1 - Paragprah 1 of the 4th Schedule of EACCMA, 2004,
8. Supporting evidence	Commercial Invoice, Shipping Documents

Note; The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the fact may result in different conclusion.

P13

1. Title	Treatment of buying commission	
2. Question	Name of the imported goods Fresh apples	HS code 0808.10.00
	Summary of the question ICO in Country I purchased fresh apples from XCO and imported into Country I through a buying agent A. Agent A has a contract with ICO to negotiate on his behalf and for this he will be paid 2% of the total cost of the goods (invoice price) as commission.	
3. Transaction Chart	 <pre> graph TD ICO["ICO Country I"] XCO["XCO Country X"] Agent["Buying Agent A"] ICO -- "Fresh apples / Invoice" --> XCO XCO -.-> "Payment (Invoice price)" ICO ICO -.-> "Payment (2 % of Invoice price)" Agent </pre>	
4. Details of the Transaction	<p>ICO in Country I purchased fresh apples from XCO and imported into Country I through a buying agent A. Agent A has a contract with ICO to negotiate on his behalf and for this he will be paid 2% of the total cost of the goods (invoice price) as commission.</p> <p>ICO imported 15 tons of fresh apples from XCO. The invoice was sent to ICO and paid 2% worth of the invoice price separately to the buying agent and the rest of the payment to the seller.</p> <hr/> <p>Challenger's opinion</p> <p>According to the Article 8.1 (a)(i), "Buying commission" should not be added to the PAPP.</p>	
5. Study of the Case	<p>The "buying commission" is the commission that the buyer pays the person who is executing the business on his behalf in the foreign</p>	

	<p>country, in terms of negotiating and purchasing the imported goods. In this case, the commission which the buyer pays the buying agent is the remuneration paid for acting on his behalf and representing him to the seller. Since the “buying commission” is not for the benefit of the seller, it is not included in the Customs value of the imported goods.</p> <p>Note:</p> <p>(1) A buying agent is a person who acts on the account of the buyer, rendering him services in connection with finding suppliers, informing the seller of the desires of the importer, collecting samples, inspecting goods and, in some cases, arranging the insurance, transport, storage and delivery of the goods.</p> <p>(2) Whether or not payments made to intermediaries by the buyer and not included in the price actually paid or payable should be added to that price will depend, in the final analysis, on the role played by the intermediary and not on the term (“agent” or “broker”) by which he is known.</p>
6. Conclusion	The “buying commission” is not included in the Customs Value since the role of the agent meets the meaning of “buying commission” in the context of the WTO Valuation Agreement.
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 and Article 8.1 - Para 2 and Para 9.1 of 4th Schedule to EACCMA, 2004 - WCO TCCV Commentary 17.1
8. Supporting Evidence	T/T records, Sales contracts, Commercial invoices.

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

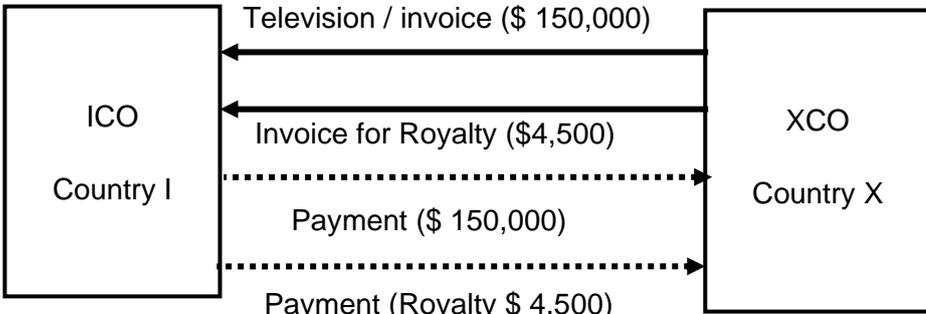
P14

<p>1. Title</p>	<p>Treatment of assists</p>	
<p>2. Question</p>	<p>Name of the imported goods Iron Sheets</p>	<p>HS code 7210.49.00</p>
	<p>Summary of the question Should the value of the mould supplied free of charge by ICO to XCO as the assist of manufacturing iron sheets be part of the Customs Value?</p>	
<p>3. Transaction Chart</p>	<pre> graph TD SA[Sales Agreement for providing Iron sheets] -.-> ICO[ICO Country I] SA -.-> XCO[XCO Country X] XCO -- "Iron Sheets (15.000pcs)" --> ICO XCO -- "Invoice (\$30*15,000pc=\$450,000)" --> ICO ICO -.-> "Payment (\$450,000)" XCO ICO -- "Order" --> MS[Mould Supplier country Z] MS -.-> "Extra Payment (\$125,000)" ICO MS -- "Mould Leasing for manufacturing 25,000 iron sheets" --> XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO of Country I imported 15,000 iron sheets from XCO of Country X at \$30 per /sheet (Total payment was \$450,000.). Customs had doubts regarding the value declared and requested ICO to provide supporting documents.</p> <hr/> <p>Challenge's opinion Whether the value of the mould supplied free of charge by ICO to XCO is part of the Customs Value?</p>	
<p>5. Study of the</p>	<p>According to the documents, it was found out that ICO supplied XCO a</p>	

<p>case</p>	<p>mould valued at \$125,000 which can produce 25,000 iron sheets, besides the direct payment to XCO.</p> <p>Additions to PAPP should be made under WTO Valuation Agreement on Article 8 only on the basis of objective and quantifiable data (Note to Article 8.3).</p> <p>After analyzing the documents provided by ICO, Customs found that:</p> <ul style="list-style-type: none"> - ICO supplied to XCO a mould through a Mould Supplier, valued at \$125,000, which can produce 25,000 sheets. - ICO imported 15,000 sheets from XCO. - Sales Contract between ICO and XCO indicates that the iron sheets are supplied at \$ 30 per sheet, thus the total payment to XCO is \$450,000 for 15,000 iron sheets. - XCO manufactures Iron sheet products using the mould provided by ICO free of charge. <p>Therefore, computation of the Customs value could be as follows;</p> <p>PAPP = \$30 * 15,000 sheets = \$450,000</p> <p>Assists = \$125,000 / 25,000 Sheets * 15,000 sheets= \$75,000</p> <p>Customs value = \$450,000 + \$75,000 = \$525,000</p>
<p>6. Conclusion</p>	<p>The Customs value should be the PAPP plus Adjustments in accordance with Article 8.1.b (ii).</p>
<p>7.Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article.1, 8.1(b) and Article 8.3 - Para 2 of 4th Schedule to EACCMA, 2004 - Para 9.1b and 9.3 of 4th Schedule to EACCMA, 2004
<p>8. Supporting evidence</p>	<p>Sales agreement, Invoices, Proof of bank transfers (T/T Payment)</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

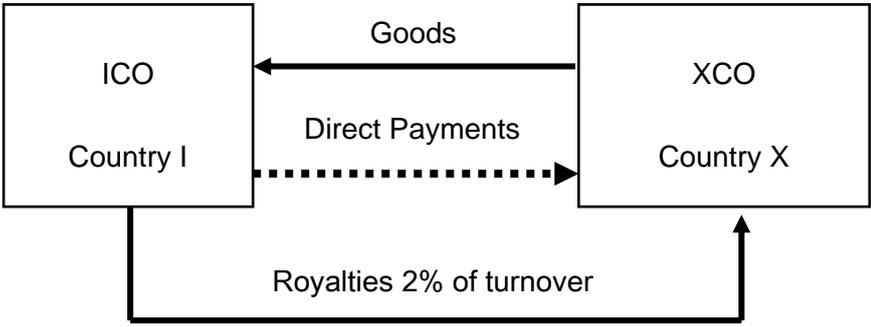
P15

<p>1.Title</p>	<p>Treatment of Royalty and License fees</p>	
<p>2.Question</p>	<p>Name of the imported good; Television</p>	<p>HS Code 8528.72.90</p>
	<p>Summary of the question ICO in Country I imported televisions from XCO in Country X and paid license fees separately to XCO. Shall the license fees be included in Customs value?</p>	
<p>3.Transaction Chart</p>	 <pre> graph LR subgraph Country_I [Country I] ICO[ICO] end subgraph Country_X [Country X] XCO[XCO] end XCO -- "Television / invoice (\$ 150,000)" --> ICO XCO -- "Invoice for Royalty (\$4,500)" --> ICO ICO -.-> "Payment (\$ 150,000)" XCO ICO -.-> "Payment (Royalty \$ 4,500)" XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO declared invoice price of \$150,000 for the Televisions.</p> <p>Customs requested the contract of sale from ICO. The sales contract concluded between ICO and XCO showed that ICO must pay 3% of contract price as royalty and license fees to XCO before the shipment of goods. Two separate invoices were issued to ICO, one for the contract price, another for royalty and license fees.</p> <p>There is no relationship between ICO and XCO in the meaning of Article 15.4 of the Agreement.</p> <hr/> <p>Challenger's opinion Royalties and license fees invoiced separately from the purchase of televisions are not part of the Customs value.</p>	
<p>5. Study of the Case</p>	<p>According to Article 8.1(c) of WTO Valuation Agreement, in determining the Customs value under the provision of Article 1, there shall be added to the PAPP for the imported goods: royalties and license fees related to the goods</p>	

	<p>being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and license fees are not included in the PAPP.</p> <p>In this case, the licenses fee is (1) related to the goods being valued since the fee is for the goods, and (2) paid as a condition of sale since it was clearly mentioned that royalties and license fee payment are part of the sales contract between ICO and XCO, so it is obvious that the license fees fall under the meaning of Article 8.1 (c) of the Agreement.</p> <p>Customs value: (CIF) \$150,000 + (Royalty) \$4,500 = \$154,500</p>
6. Conclusion	<p>The license fee should be included in the Customs Value since the fee is; (1) related to the goods being valued, and (2) paid as a condition of sale.</p>
7. Reference materials	<p>- WTO Valuation Agreement, Article 8.1(c) - Para 9.1(c) of 4th Schedule to EACCMA, 2004</p>
8. Supporting evidence	<p>Sales agreement, Commercial invoices, Proof of bank transfers</p>

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P16

1. Title	Treatment of Royalties separately paid after importation	
2. Question	Name of the imported goods Foot wear	HS code 6404.20.00
	Summary of the question Whether royalties separately paid after the importation of the goods being valued should be added to the PAPP of the imported goods.	
3. Transaction Chart	 <pre> graph LR subgraph Country_I [Country I] ICO[ICO] end subgraph Country_X [Country X] XCO[XCO] end XCO -- Goods --> ICO ICO -.-> Direct Payments XCO ICO -- "Royalties 2% of turnover" --> XCO </pre>	
4. Details of the Transaction	<p>ICO in Country I entered into a contract with XCO in Country X, the holders of the trademark of the name “XWY” for designs and sale for export of footwear imported into Country I.</p> <p>In consideration of the rights granted, ICO was to remit annual royalties of 2% of the total sales of the branded footwear after payment of local taxes in Country I.</p> <p>However, in all the ICO’s declarations and transactions with Customs, there was no mention of royalties.</p> <hr/> <p>Challenger’s opinion</p> <p>The royalties are calculated after importation, so they are separated from the payment for purchasing the goods being imported. In addition, income tax was paid from the 2% of the annual domestic sales to customers.</p>	

<p>5. Study of the Case</p>	<p>According to Article 8.1 (c), royalties and license fees related to the imported goods being valued, either paid directly or indirectly by the buyer, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the PAPP shall be added to the PAPP for the imported goods.</p> <p>In the context of “related to the imported goods”, it is apparent in this case that the royalties are related to the goods since the goods bear the brand name.</p> <p>In the context of “as a condition of sale (for export)”, timing of the payment of royalties does not matter. The license agreement clearly indicates that the 2% royalty payments must be paid by ICO and ICO can only buy from manufacturers approved by the licensor.</p> <p>Royalties are calculated based on the domestic resale and fixed after the importation.</p> <p>In such case, the Customs value of imported goods should be recomputed inclusive of royalties paid afterward, in accordance with provisions of national legislation.</p>
<p>6. Conclusion</p>	<p>According to Article 8.1 (c) of the WTO Valuation Agreement, the 2% ICO remitted as royalties to XCO should be added to the PAPP for the imported goods.</p>
<p>7. Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 8.1 (c) - WCO TCCV Advisory opinion 4.2 – 4.6 - Paragraph 9 (1) (c) of 4th Schedule to EACCMA, 2004
<p>8. Supporting evidence</p>	<p>Sales contract, License Agreement, Commercial Invoice, Shipping Documents, Proof of payment</p>

Note : The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P17

<p>1. Title</p>	<p>Royalty paid in relation to post importation manufacture of goods done by the importer</p>	
<p>2. Question</p>	<p>Name of the imported goods Circuit breaker parts</p>	<p>HS code 8536.90.00</p>
	<p>Summary of the question ICO imported parts for manufacturing circuit breakers. ICO paid invoice price for parts and royalty for licence to manufacture the earth leakage circuit breakers to the license holder (XCO) at a certain percentage of the invoice price of the earth leakage circuit breaker parts.</p>	
<p>3.Transaction Chart</p>	<pre> graph TD XCO["XCO (Licensor) Country X"] ICO["ICO (Licensee) Country I"] EU["End Users (Country I)"] XCO -.-> Licence Agreement ICO XCO --> Parts ICO ICO -.-> "Payment for the Parts & Royalty (X% of invoice)" XCO ICO --> Products using the parts EU </pre>	
<p>4. Details of the Transaction</p>	<p>ICO imported parts for manufacturing earth leakage circuit breakers. In addition to the payment for the parts, ICO also paid royalties to XCO (Supplier and Licensor) for manufacturing the product at a certain percentage of the invoice price of the circuit breakers' parts.</p>	
	<p>Challenger's opinion The royalty is not paid as a condition of the sale so it does not form part of the Customs value.</p>	

<p>5. Study of the Case</p>	<p>According to Article 8.1(c) of WTO Valuation Agreement in determining the Customs value under the provision of Article 1, there shall be added to the PAPP for the imported goods, royalties and license 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, to the extent that such royalties and license fees are not included in the PAPP.</p> <p>In this case, the license fee was not included because; it was not paid as a condition of the sale.</p>
<p>6. Conclusion</p>	<p>The Royalty is paid not as a condition of the sale of the parts but to manufacture the circuit breakers. So it is not added to the PAPP for the imported parts.</p> <p>Therefore, it does not form part of the Customs value.</p> <p>Note: if the part itself manufactured by the licensee and exported to the importer is a licensed product itself and may be solely for manufacture of licensed circuit breakers the same opinion 4.15 TCCV may be applicable and royalty payable should be added to PAPP.</p>
<p>7. Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 and 8.1 (c) - Para 2 and 9.1 (c) of 4th Schedule to EACCMA, 2004 - Advisory opinion 4.15 TCCV
<p>8. Supporting evidence</p>	<p>Sales contract, royalty agreement, Commercial Invoice, Shipping Documents, Proof of payment</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion

P18

<p>1.Title</p>	<p>Treatment of Royalties</p>	
<p>2.Question</p>	<p>Name of the imported goods Eye shadow – Eye make-up preparation</p>	<p>HS code 3304.20.00</p>
<p>Summary of the question ICO in Country I imported Eye Shadow from XCO in Country X and paid license fees in form of royalties to the trademark holder XCO who is also the supplier. The royalty fee is to be paid locally against monthly sale. Should royalty fees calculated and paid locally, be included in the Customs Value?</p>		
<p>3. Transaction Chart</p>	<p>The diagram illustrates the transaction between ICO (Country I) and XCO (Country X). XCO is the Trademark holder & Supplier. ICO imports Eye Shadow from XCO. The flow is as follows: XCO sends 'Eye Shadow / Invoice' to ICO. ICO sends 'Payment for goods (Invoice value)' to XCO. ICO also sends 'Payment (Royalty)' to XCO, which is split into two parts: '5.0% of net monthly Sales for patent' and '1.7% of the net monthly sales for trademark'. Finally, ICO sells the goods in the 'Domestic market'.</p>	
<p>4. Details of the Transaction</p>	<p>XCO owns a trademark protected world wide. ICO imports all its cosmetics from XCO and sells them under XCO's trademark. As part of the sales contract ICO is required to pay XCO a royalty calculated on the basis of monthly net sales of all cosmetics sold under XCO's trademark as set below:</p> <p>Right to use patent right - 5.0% of net monthly sales Right to use Trademark (Royalty) - 1.7% of the net monthly sales.</p>	

	ICO and other importers of those products did not disclose these facts to Customs at the time of importation. A routine audit confirmed the facts.
5. Study of the Case	<p>According to Article 8.1(c) of WTO Valuation Agreement, in determining the Customs value under the provisions of Article 1, there shall be added to the PAPP for the imported goods, royalties and license fees related to the goods being valued and paid as a condition of sale.</p> <p>In this case, the license fee is (1) related to the goods being valued since the fee is paid for use of the trademarked imported goods, and (2) paid as a condition of sale since it was clearly mentioned that royalties and license fee are payable under the sales contract between the buyer and the seller, so it is obvious that the license fees fall under the meaning of Article 8.1 (c) of the Agreement. Therefore, the Royalty is to be added to the PAPP for the imported cosmetics.</p>
6. Conclusion	The royalty fee should be included in the Customs Value since the fee is; (1) Related to the goods being valued, and (2) Paid as a condition of sale.
7. Reference materials	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 and Article 8.1 (c) - Part I of 4th Schedule to EACCMA, 2004
8. Supporting evidence	Sales Agreement, Royalty Agreement, Bank statements

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

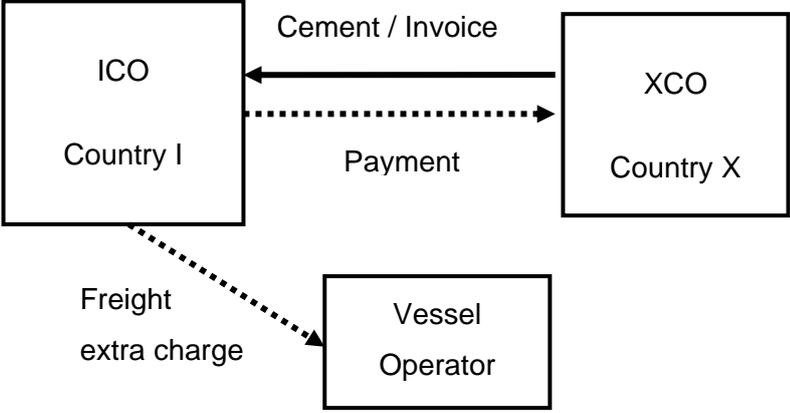
P19

<p>1. Title</p>	<p>Treatment of Royalty and License Fees</p>	
<p>2. Question</p>	<p>Name of the imported goods Cylinder door lock</p>	<p>HS Code 8301.30.00</p>
	<p>Summary of the question It is an importation of cylinder door lock with Royalty and license fees. Should the license fees be included in the Customs value?</p>	
<p>3. Transaction Chart</p>	<pre> graph LR XCO[XCO Country X] -.-> license / sales agreement ICO[ICO Country I] XCO -- "Invoice / 2,000 Cylinder door lock" --> ICO ICO -.-> "Payment \$120,000 (ex-work) & Royalties and license fee: \$3,690 (5%)" XCO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I purchased and imported 2,000 pieces of cylinder door lock and handles sets from XCO in Country X.</p> <p>The commercial invoice presented to Customs showed that the price was \$120,000 CIF value. While verifying documents, Customs doubted the declared value. Then, Customs requested ICO to give full information of the payment made for cylinder door lock purchase. ICO cooperated and gave all documentation required concerning the importation.</p> <p>From the documents check, the following facts were identified;</p> <ul style="list-style-type: none"> - The sales contract provided by ICO showed that the total price of 2,000 pieces of cylinder door lock was \$120,000 ex-factory, not CIF. - According to the license agreement between ICO and XCO, ICO must pay 5% of the contract price to XCO for royalty and license fees before shipment. - XCO holds a patent for producing cylinder door lock and owned the trademark. - There is no relationship within the meaning of Article 15.4 of the agreement between ICO and XCO. - Freight invoice from XCO's factory to the port of Country I was \$3,000 - Royalty and license fees payment were written in the sales contract. 	

	<p>Challenger's opinion</p> <p>The royalty and license fees do not form part of the Customs value.</p>								
6. Study of the case	<p>According to Article 8.1(c) of WTO Valuation Agreement in determining the Customs value under the provision of Article 1, there shall be added to the PAPP for the imported goods, royalties and license 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, to the extent that such royalties and license fees are not included in the PAPP.</p> <p>The legislation of each WCO Member shall provide for the inclusion in or the exclusion from the Customs value, in whole or in part, cost of transport, loading, offloading, handling charges and cost insurance (Article 8.2). In this case, it was clearly mentioned that royalties and license fee payment are part of the sales contract between ICO and XCO as a condition of sale and in addition for his patent and trademark shown on goods being valued. So, it is obvious that the royalties and license fees fall under the Article 8.1 (c) of the Agreement.</p> <p>Accordingly, the Customs value of this case should be \$132,690 based on the following calculation.</p> <p>Customs value of this case: PAPP : \$120,000</p> <table style="margin-left: 40px;"> <tr> <td>Freight</td> <td>: \$3,000</td> </tr> <tr> <td>Insurance</td> <td>: \$3,690</td> </tr> <tr> <td><u>Royalties</u></td> <td><u>: \$6,000 (5% of contract price)</u></td> </tr> <tr> <td>TOTAL</td> <td>: \$132.690</td> </tr> </table>	Freight	: \$3,000	Insurance	: \$3,690	<u>Royalties</u>	<u>: \$6,000 (5% of contract price)</u>	TOTAL	: \$132.690
Freight	: \$3,000								
Insurance	: \$3,690								
<u>Royalties</u>	<u>: \$6,000 (5% of contract price)</u>								
TOTAL	: \$132.690								
6. Conclusion	<p>The royalty and license fee should be included in the Customs Value since the fee is (i) related to the goods being valued (bearing a trademark) and (ii) paid as a condition of sale.</p>								
7. Reference materials	<p>-WTO Valuation Agreement, Article 1 and Article 8.1(c)</p> <p>- WCO TCCV Advisory opinion 4.1</p>								
8. Supporting Evidence	<p>Sales contract, Commercial invoices, Proof of bank transfers, Shipping documents</p>								

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P20

1. Title	Extra charge incurred for changing from original vessel to another vessel	
2. Question	Name of the imported goods Cement	HS code 2523.10.00
	Summary of the question When ICO paid an extra charge to a vessel operator for changing vessel, should the extra charge be included in the Customs Value?	
3. Transaction Chart	 <pre> graph LR XCO["XCO Country X"] -- "Cement / Invoice" --> ICO["ICO Country I"] ICO -.-> "Payment" XCO ICO -.-> "Freight extra charge" VO["Vessel Operator"] </pre>	
4. Details of the Transaction	<p>ICO in Country I purchased cement from XCO in Country X (FOB). ICO requested XCO to load the goods to be imported on a new vessel prior to the one which had been scheduled on the sales contract. In addition to the basic freight cost, ICO paid a vessel operator an extra charge for that.</p>	
	<p>Challenger's opinion</p> <p>The extra charge should not be taken into consideration when determining the Customs value.</p>	
5. Study of the Case	Cost of transportation under Article 8.2 of the Agreement includes ALL costs for the transportation to the port of importation.	
6. Conclusion	The extra charge paid by ICO to the vessel operator should be included in the Customs Value.	

Case Study on Customs Valuation, 2017

7. Reference materials	- WTO Valuation Agreement, Article 8 .2 - Para 9 (2) of 4th Schedule to EACCMA, 2004,
8. Referential Materials	Sales contract, Commercial Invoice, Shipping Documents, Proof of payment

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P21

<p>1.Title</p>	<p>Treatment of New Vehicle used for a short period in the country of exportation prior to shipment to the country of importation</p>	
<p>2.Question</p>	<p>Name of the imported goods Motor Vehicle</p>	<p>HS code 8703.90.90</p>
	<p>Summary of the question Whether a vehicle purchased new and used briefly in the country of exportation should be valued using Transaction Value Method.</p>	
<p>3. Transaction Chart</p>	<pre> graph TD subgraph Country_I [Country I] ICO[ICO] end subgraph Country_X [Country X] XCO[XCO] end XCO -.-> Sales Contract ICO XCO --> Vehicle Invoice Usage["Temporary Usage in Country X by ICO"] Usage --> Vehicle Invoice ICO </pre>	
<p>4. Details of the Transaction</p>	<p>Prior to importation the particular vehicle had been bought, provisionally registered and used by ICO in the Country X for a period of three (3) months after which it was imported into Country I.</p> <p>At the time of declaration, the original commercial invoice was used to compute taxes totalling (\$ 42,000)</p> <hr/> <p>Challenger's opinion</p> <p>The temporary usage in Country X affected the commercial value of the car however, it did not affect the Customs value of the car and so transaction value method based on purchased price is applicable.</p>	

<p>5. Study of the case</p>	<p>The vehicle being valued was under the ownership of ICO at the time of exportation.</p> <p>There is no “sale for export to the country of importation”, so Article 1 (Transaction Value Method) is not applicable.</p>
<p>6. Conclusion</p>	<p>Since no sale for export exists, the Customs value of the vehicle will be determined as provided for EAC administrative ruling on the valuation of used goods of 13th December 2013, and the decision of EAC Meeting of the Sectoral Council on Trade Industry, Finance and Investment held in Arusha, Tanzania on 22 May 2015.</p>
<p>7. Reference materials</p>	<ul style="list-style-type: none"> - WTO Valuation Agreement, Article 1 - Study1.1 and the supplement to the study - WCO TCCV Advisory Opinion 1.1 - EAC administrative ruling on the valuation of used goods of 13th December 2013 - Decision of EAC Meeting of the Sectoral Council on Trade Industry, Finance and Investment held in Arusha, Tanzania on 22 May 2015
<p>8. Supporting evidence</p>	<p>Sales Contract, Invoices, Shipping Documents, Proof of bank transfer, Provisional Registration Documents in the Country I</p>

Note: The conclusion is based on the situations described above. Readers kindly keep in mind that any changes of the fact may result in a different conclusion

P22

<p>1. Title</p>	<p>Case where the sale is subject to a condition</p>	
<p>2. Question</p>	<p>Name of the imported goods Used motor vehicle</p>	<p>HS code 8703.33.90</p>
	<p>Summary of the question Employee I purchased a used motor vehicle in Country X then shipped to Country I. Is the purchase considered as subject for condition to determine the Customs value in the country of importation?</p>	
<p>3. Transaction Chart</p>	<pre> graph LR subgraph Country_X [Country X] E1["Employee I (Buyer)"] XCO["XCO"] E1 -.-> Related XCO end E1 -.-> Vehicle E2["Employee I (Buyer) in Country I"] XCO -.-> Vehicle E1 E1 -.-> Payment \$ 4,000 XCO </pre>	
<p>4. Details of the Transaction</p>	<p>XCO in Country X decided to sell used motor vehicles which were more than 5 years old to the company's employees at low prices as payment of some part of their salary. The employee I of XCO is one of the buyers of the used motor vehicle who later moved to country I with the Motor vehicle.</p> <hr/> <p>Challenger's opinion Employee I denied that the sale was subject to a condition. Therefore, the Customs value should be calculated based on the price actually paid.</p>	

<p>5. Study of the Case</p>	<p>XCO sold a used motor vehicle to Employee I. During the verification, the Customs administration found that the price declared was low compared to the depreciated value in accordance with the EAC ruling and asked for the supporting documents based on Article 17 of WTO ACV such as sales contract, bank transfers (T/T).</p> <p>It was found that XCO sold used motor vehicles to its employees at a low price as part payment of their salary (but the value of the salary was not found). Therefore, Customs concluded that the sale was subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued, and rejected the transaction value.</p>
<p>6. Conclusion</p>	<p>The transaction value method cannot be applied since the sale was subject to some condition or consideration for which the value cannot be determined with respect to the goods being valued. The Customs administration rejected the transaction value and an alternative method of valuation was applied.</p>
<p>7. Reference materials</p>	<p>WTO Valuation Agreement, Article. 1.1(b) and Article 17</p>
<p>8. Supporting evidence</p>	<p>Sales Contract, Invoices, Proof of bank transfer etc.</p>

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P23

<p>1. Title</p>	<p>Treatment of related party transaction (1)</p>	
<p>2. Question</p>	<p>Name of the imported goods Foot wear</p>	<p>HS code 6404.20.00</p>
	<p>Summary of the question Acceptability of the transaction value declared by a sole distributor who is related to the supplier.</p>	
<p>3. Transaction Chart</p>	<pre> graph LR A[ICO (sole distributor) Country I] -- Payment --> B[XCO Country X] B -- Foot ware --> A C[Agreement] -.-> A D[Agreement] -.-> B </pre>	
<p>4. Details of the Transaction</p>	<p>ICO is appointed by XCO as its exclusive sole distributor in Country I, where ICO shall advertise products in an appropriate manner while the type and extent of advertising efforts is determined by mutual agreement. ICO shall assist in protecting XCO's interest and that of the manufacturers of the product with regards to patents, trademarks and other property rights and of any possible infringements of such rights and report to XCO any adverse conducts affecting the sale. XCO will supply the products to ICO under the general sales condition in mediating sales for XCO's products. ICO shall furnish these as the basis for such sale.</p>	
<p>5. Study of the Case</p>	<p>Advertisement of the product made by the sole distributor is for his benefit as well of his supplier. Rendering brand information or any assistance in protecting in the matter of patent and proprietary rights does not establish a commercial relationship between the two parties. Therefore, a plain reading of the agreement does not convince that the two persons are related within the meaning of Article 15.4 of the Valuation Agreement.</p>	
<p>6. Conclusion</p>	<p>The transaction value was accepted because, just being a sole</p>	

Case Study on Customs Valuation, 2017

	distributor does not allow Customs to deny acceptance of the transaction value unless a relationship existed within the meaning of Article 15.4 of the Valuation Agreement and such relationship influenced the price.
7. Reference materials	- WTO Valuation Agreement, Article 1 and Article 15.4 - 4th Schedule to EACCMA, 2004
8. Supporting evidence	Sales contract, Commercial Invoice, Shipping Documents, Proof of payment

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.

P24

<p>1.Title</p>	<p>Treatment of Related Party Transaction (2)</p>	
<p>2.Question</p>	<p>Name of the imported goods: Television 32" Brand S.</p>	<p>HS code 8528.72.90</p>
	<p>Summary of the question ICO in Country I imported televisions from XCO in Country X. ICO and XCO are related in the meaning of Article 15.4 of the WTO Valuation Agreement. ICO did not submit a test value to demonstrate the relationship did not influence the price.</p>	
<p>3.Transaction Chart</p>	<pre> graph LR XCO["XCO Country X"] -- "20 TV / Invoice (\$ 1,400)" --> ICO["ICO Country I"] ICO -.-> Payment (\$1,400) XCO XCO -.-> Related([Related]) Related -.-> ICO </pre>	
<p>4. Details of the Transaction</p>	<p>ICO in Country I imported 20 sets of television from XCO in Country X. Customs requested supporting documents from ICO. While analyzing the submitted documents Customs established that ICO is a subsidiary of XCO. Customs examined the circumstances surrounding the sale.</p> <hr/> <p>Challenger's opinion ICO declared the invoice price which is the PAPP.</p>	
<p>5. Study of the Case</p>	<p>According to WTO Valuation Agreement Article 1.1(d), the Transaction Value Method is not applicable where the buyer and seller are related, and the relationship influenced the price.</p> <p>ICO failed to demonstrate that the relationship did not influence the price. Customs examined the circumstances surrounding the sale including comparison with the prices of goods of the same kind or class</p>	

Case Study on Customs Valuation, 2017

	<p>previously imported and the price offered to unrelated buyers.</p> <p>Finally, ICO agreed with the Customs view that the relationship influenced the price.</p>
6. Conclusion	<p>According to the documents submitted by ICO, the relationship influenced the price paid, method other than the Transaction Value Method in a sequential order as provided in the Agreement were applied.</p>
7. Reference materials	<ul style="list-style-type: none">- WTO Valuation Agreement, Article 1.1(d)- Para 2 of 4th Schedule to EACCMA, 2004
8. Supporting evidence	<p>Sales contract, Commercial invoices, Proof of bank transfers</p>

NOTE: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in different conclusion.

P25

<p>1. Title</p>	<p>Treatment of Related Party Transaction (3)</p>	
<p>2. Question</p>	<p>Name of the imported goods Food Supplement</p>	<p>HS code 2106.90.91</p>
	<p>Summary of the question ICO in Country I imported food supplements from XCO in Country X. ICO and XCO are related in the meaning of Article 15.4 of WTO Valuation Agreement. ICO did not submit test values to demonstrate that the relationship did not influence the price.</p>	
<p>3. Transaction Chart</p>	<pre> graph TD Related([Related]) -.-> ICO[ICO Country I] Related -.-> XCO[XCO Country X] XCO -- Goods --> ICO ICO -.-> Payments \$0.65 per unit XCO XCO -.-> "\$ 1.3 per unit (price list)" OtherBuyers[Other Buyers] </pre>	
<p>4. Details of the Transaction</p>	<p>ICO located in Country I is a branch (related parties under the definition provided in Article 15.4 of the Valuation Agreement) of XCO, an international company located in Country X. ICO imported “food supplements” from XCO and at importation, ICO declared FOB \$0.65 per tin of 500gm as the transaction value for the food supplements.</p> <p>According to a PRICE LIST on XCO’s website, a tin of Food Supplements weighing 500gm is priced at \$1.3 (price XCO would sell at to other importers in country of importation). The price of Food</p>	

	<p>Supplements declared by the branch (ICO) to Customs is lower than that on their price list on the website.</p> <hr/> <p>Challenger's opinion The PAPP is acceptable for the purpose of valuation of goods under Transaction Value Method.</p>
<p>5. Study of the Case</p>	<p>According to WTO Valuation Agreement Article 1.2 (a), in determining whether the Transaction value is acceptable, the fact that the buyer and the seller are related shall not in itself be a ground for regarding the transaction value unacceptable. In such a case, the circumstances surrounding the sale shall be examined and the Transaction value shall be acceptable provided that the relationship did not influence the price.</p> <p>In this case, as for the circumstances surrounding the sale, there is significant difference of the unit selling price between ICO and XCO compared to the price offered to non-related buyers.</p>
<p>6. Conclusion</p>	<p>Based on the information from the XCO's website and the ICO's failure to demonstrate that the relationship did not affect the price, the transaction value method is not applicable.</p>
<p>7. Reference materials</p>	<p>- WTO Valuation Agreement, Article 1.2 - Para 2 of 4th Schedule to EACCMA, 2004</p>
<p>8. Supporting evidence</p>	<p>Sales contract, Commercial Invoice, Proof of T/T</p>

Note: The conclusion is based on the situation described above. Readers kindly keep in mind that any changes of the facts may result in a different conclusion.