

Guidelines on the development and use of National Valuation Database as a Risk Assessment Tool

The Second WCO-ADB Joint Sub-regional
TRAIN-THE TRAINER Workshop on
Customs Valuation under the Multi-year
Assistance for SASEC Countries
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Objective

- Review and refresh the information on the issue of Valuation database in order to **promote the discussions** on the potential added value of regional cooperation in Customs Valuation control

Outline

1. Customs Valuation & Valuation Control
2. Guidelines on the development and use of national valuation database as a risk assessment tool

1. Customs Valuation & Valuation Control (1)

- The Valuation Agreement introduces a fair, uniform and neutral system for the Customs valuation
- Preclude the use of arbitrary or fictitious Customs value
- Most cases, the Customs value will be a transaction value based on PAPP (Price actually paid or payable) under Article 1, adjusted in accordance with Article 8
- Consistent with commercial practices

Custo Must Know

**Commer
Reality**

**Commer
Pricing
Practice**



Understanding commercial pricing practices (1)

- Price variations are a normal part of international trade
- A difference between the declared value and the database value is **NOT by itself** a reliable indicator of potential risk

Reference

Advisory Opinion 2.1 Price below prevailing market prices
Case Study 12.1: Prices below their cost of production

Commercial pricing practices or Undervaluation?

Understanding commercial pricing practices (2)

- **Commercial pricing practices or Undervaluation?**

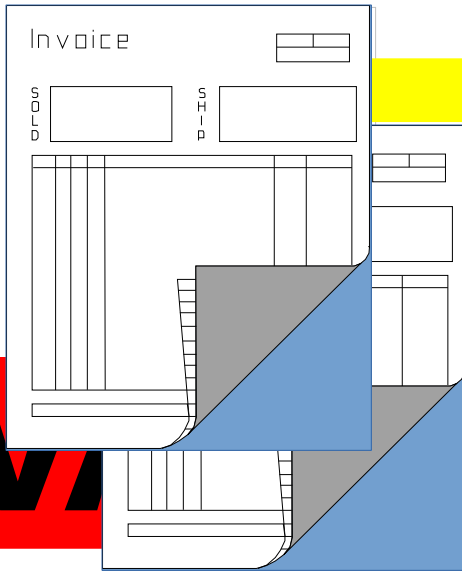
In case doubts still remain

- Article 17 & Decision 6.1 (Where the Customs has doubts about the truth or accuracy of the declared value, ask the importer to provide further evidence and explanation)

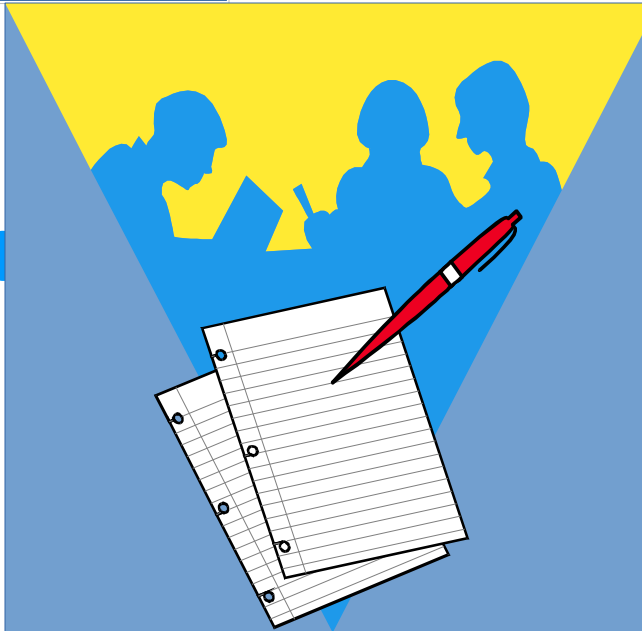
Reference

Case Study 13.1 & 13.2: Application of Decision 6.1, etc

Double Invoice



Post Clearance Audit



1. Customs Valuation & Valuation Control (2)

- Valuation database can play a useful role as a risk assessment tool, however it is not an essential component of valuation control program for all administrations
- Valuation control by PCA (post clearance audit)
- Broad risk assessment and risk management
- Risk assessment mechanism must be selective and targeted

Question

- Have you ever read Guidelines on the development and use of National Valuation Database as a Risk Assessment Tool?

2. Guidelines on the development and use of national valuation database as a risk assessment tool

- TCCV (Technical Committee on Customs Valuation) drew up the Guidelines in 2003 in response to request from the WTO in the context of 8.3 of the Doha Ministerial Decision
- The Guidelines provides Customs administrations with pertinent information and recommendations concerning the development and use of a national valuation database
- National valuation database may be used **only as a risk assessment tool** for **assessing potential risk** regarding the truth or accuracy of the declared Customs value

Caveats and limitations regarding the use of national valuation database

A Customs Administration may **NOT**

- **Use a database** to determine **the Customs value** as a substitute value or to establish **minimum values**
- **Reject** the declared value **solely on a difference between the declared value and the database values**
- Disregards the requirement of Article 13 of the Agreement (release of imported goods upon sufficient guarantee) in order to employ a valuation database
- Use a valuation database as a substitute for other techniques, such as PCA, to assess the truth or accuracy of the declared value

Use of national valuation database

- Data to be included in a database
 - Data should be reflecting the Customs value previously accepted by Customs and other pertinent information for risk assessment purpose, such as importer's & exporter's profile, origin, tariff code number, etc.
- Validity of the data
 - Data should be recent and up-to-date
- Monitoring Mechanism
 - Ensure that it is being used only for the purpose of risk assessment
 - Ensure that the information in the database is updated on a regular and continual basis

Summary

- Need to know the commercial practices
- Broad Risk Assessment and Risk Management for Valuation Control
- Valuation database should be used only as a risk assessment tool for assessing potential risk, should **NOT** be used for determining Customs value, establishing minimum value

**Thank you for your
kind attention!**

