



## ACD Fast Facts - Customs Valuation

### What is Customs valuation?

Customs valuation is the process where Customs authorities assign a monetary value to a good or service for the purposes of import or export. Generally, authorities engage in this process as a means of protecting tariff concessions, collecting revenue for the government, implementing trade policy, and protecting public health and safety.

The Customs value of imported goods is determined mainly for the purposes of applying ad valorem rates of Customs duties. It constitutes the taxable basis for Customs duties. It is also an essential element for compiling trade statistics, monitoring quantitative restrictions, applying tariff preferences, and collecting national taxes.

### How are Imported Goods Valued?

Today, almost all Customs administrations of the current 153 World Trade Organization (WTO) Members value imported goods in terms of the provisions of the WTO Agreement on Customs Valuation (adopted in 1994). This agreement establishes a Customs valuation system that primarily bases the Customs value on the transaction value of imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, plus, certain adjustments of costs and charges. Currently more than 90 percent of world trade is valued on the basis of the transaction value method which provides more predictability, uniformity and transparency for the business community. Afghanistan follows this valuation agreement.

### Why do I need a value for Customs duty?

Customs duty is often charged as a percentage of the value of your goods – this is called ad valorem duty. The amount of duty you must pay depends on the Customs value of your goods. The rules for arriving at the Customs value are based on the WTO Valuation Agreement (previously known as the GATT Agreement).

### Where can I find out if I have to pay ad valorem Customs duty?

You can find it in the Afghan Customs Tariff. This lists all the Customs duty rates, commodity codes and procedures relating to imported goods. You can access the Afghan tariff online by clicking here or by visiting the ACD Web site at <http://Customs.mof.gov.af/en/page/1035>.



## ACD Fast Facts - Customs Valuation

### How do I arrive at the value for Customs duty?

You do this by using one of six methods to calculate your duty. The methods are:

#### Method 1 – Transaction Value

Transaction value is the price actually paid or payable as the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods, and includes all payments 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.

#### Method 2 – Transaction Value of Identical Goods

The transaction value is calculated in the same manner as identical goods if the goods are: The same in all respects including physical characteristics, quality, and reputation; Produced in the same country as the goods being valued; and, Produced by the producer of the goods being valued. For this method to be used, the goods must be sold for export to the same country of importation as the goods being valued. The goods must also be exported at or about the same time as the goods being valued.

#### Method 3 – Transaction Value of Similar Goods

The transaction value is calculated in the same manner on similar goods if:

- The goods closely resemble the goods being valued in terms of component materials and characteristics;
- The goods are capable of performing the same functions and are commercially interchangeable with the goods being valued;
- The goods are produced in the same country as and by the producer of the goods being valued.

For this method to be used, the goods must be sold to the same country of importation as the goods being valued. The goods must be exported at or about the same time as the goods being valued.

#### Method 4 – Deductive Value

Deductive value is the deduction of value from the price of the greatest aggregate quantity sold. The Agreement provides that when Customs value cannot be determined on the basis of the transaction value of the imported goods or identical or similar goods, it will be determined on the basis of the unit price at which the imported goods or identical or similar goods are sold to an unrelated buyer in the greatest aggregate quantity in the country of importation. The buyer and the seller in the importing country must not be related and the sale must take place at or about the time of importation of the goods being valued. If no sale took place at or about the time of importation, it is permitted to use sales up to 90 days after importation of the goods being valued.

#### Method 5 - Computed Value

Computed value, the most difficult and rarely used method, determines the Customs value on the basis of the cost of production of the goods being valued, plus an amount for profit and general expenses usually reflected in sales from the country of exportation to the country of importation of goods of the same class or kind.

#### Method 6 – Fall-Back Method

With the Fall-Back Method, Customs value determination is based on “reasonable means consistent with the principles and general provisions of the Agreement, Article VII GATT and on the basis of available data.”



## ACD Fast Facts - Customs Valuation

When the Customs value cannot be determined under any of the previous methods, it may be determined using reasonable means consistent with the principles and general provisions of the Agreement and of Article VII of GATT, and on the basis of data available in the country of importation. To the greatest extent possible, this method should be based on previously determined values and methods with a reasonable degree of flexibility in their application.

### Which method do I use?

You must try Method 1 first, before going on to Method 2 and so on. You may be asked to explain why an earlier Method could not be used. The only exception to the order of trying the Methods is that you may try Method 5 before Method 4 if you wish.

You can read more information on valuation and the six methods by clicking [here](http://www.wto.org/english/tratop_e/cusval_e/cusval_info_e.htm#3) or visiting the World Customs Organization Web site at this address: [http://www.wto.org/english/tratop\\_e/cusval\\_e/cusval\\_info\\_e.htm#3](http://www.wto.org/english/tratop_e/cusval_e/cusval_info_e.htm#3).

### How does Afghan Customs monitor valuation?

The ACD has developed a database to monitor valuation. The Tariff and Valuation Database (TARVAL) is capable of being linked with ACD's Automated System for Customs Data (ASYCUDA) software to alert examination and/or verification officers of potential under-valuations. The valuation module of ASYCUDA has been successfully piloted at the Kabul Inland Customs Depot (ICD), and will be rolled out to other ICDs as soon as it is fully customized. It is planned to include a larger number of commodities and to be implemented in other Customs stations for maximum utilization.

### Why is proper valuation important?

ACD's focus on valuation represents a real opportunity to enhance revenues for Afghanistan. Unscrupulous traders are non-compliant with international valuation rules and submit false documents to Customs, inaccurately describing the nature or value of the goods, which results in lower tariff and lower revenue collected by the government. The honest and accurate valuation of goods being declared to Customs means the correct revenue is being collected. That revenue helps fund vital Afghan government projects, such as schools, teachers, hospitals, security, etc.