

CUSTOMS VALUATIONS ***FIJI EXPERIENCE***

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- **Revenue Collection summary**
- **What is Customs Valuation (CV) ?**
- **Why is CV Important?**
- **The WTOVA - Short Historical Overview**
- **Basic principle: Transaction value**
- **Alternative Valuation Methods**
- **Benefits of implementing the Agreement**
- **The Role of the WCO**
- **Customs Valuation Agreement – Fiji**
- **Major problems**



- **FIRCA is the main revenue collecting agency for Government of Fiji**
- **Last 2 years collection was over \$1.1b**
- **Customs contributed to over 30%**

Summary on revenue collection for total imports.			
2004.			
FISCAL	VAT		TOTALS
\$ 213,855,768.41	\$ 257,719,828.13		\$ 471,575,596.54
2005.			
FISCAL	IMP_EXC.	VAT	
\$ 215,094,438.76	\$ 1,847,844.77	\$ 285,716,382.35	\$ 52013920

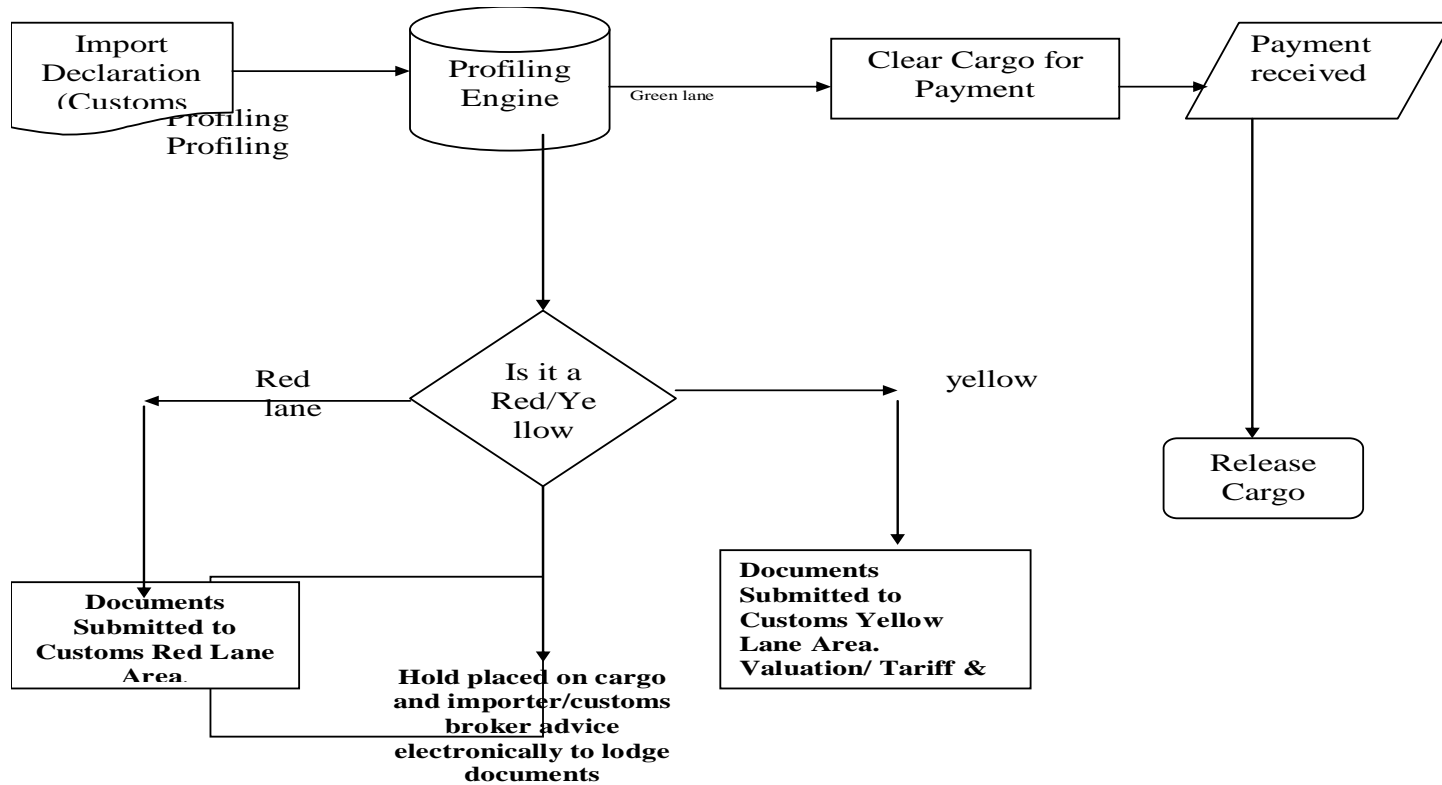


What is Customs Tariff?

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- *Simply Customs Duty rates*
- *Managed by Customs arms of FIRCA*
- *Tariff on import, export and excise goods*
- *Fiji Harmonized Customs Tariff Schedule*
- *International level tariff is 6 digit and FIRCA has added two more digits making it a 8 digits tariff for Fiji Islands*





CUSTOMS ENTRY PROCESSES

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Yellow Lane Entries:

- Refer consignments valued > F\$20,000 to Valuation. These customs entries will be automatically profiled Yellow lane on ASYCUDA;

- Await opinion from Valuation before continuing assessment.



CUSTOMS ENTRY PROCESSES

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Red Lane Entries:

- Refer customs entries profiled red lane to Examination team. The Examination team will continue the remaining assessment process;
- Manually change lane to red lane if during assessment, the consignment requires examination (e.g. Commercial packages from Parcel Post.).



- **CV is a customs procedure applied to determine the customs value of imported goods**
- **If the rate of duty is ad valorem, the customs value is essential to determine the duty to be paid on an imported good**
- **It constitutes the taxable basis for Customs duties. It is also an essential element for compiling trade statistics, for monitoring quantitative restrictions, for applying tariff preferences, and for collecting national taxes.**
- **Today, almost all Customs administrations of the current 148 WTO Members value goods in terms of the provisions of the WTO Agreement on CV**



Why is CV Important ?

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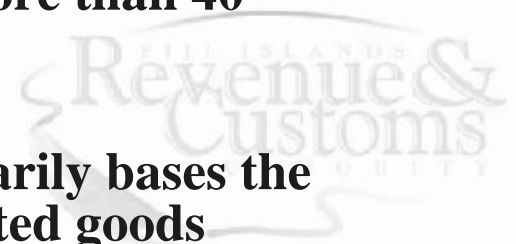
- **If wrong value is applied exporters could be overcharged duty**
- **If exporters are unsure how the value will be calculated the business of exporting becomes unpredictable**
- **Poor CV procedures can act as a barrier to trade since exporters need to be sure how much duty their good will attract**



The WTOVA- Short Historical Overview

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- **The WTO Valuation Agreement, formally known as the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (GATT)**
- **Replaced the GATT Valuation Code as a result of the Uruguay Round multilateral trade negotiations which created the WTO in 1994**
- **The GATT Valuation Code was originally created in 1979 during the Tokyo Round of multilateral trade negotiations**
- **Starting in the 1950s, customs duties were assessed by many countries according to the Brussels Definition of Value (BVD) before replaced by Tokyo Round Valuation Code**
- **the Tokyo Round Valuation Code was signed by more than 40 contracting parties**
- **The Agreement establishes a CV system that primarily bases the Customs value on the transaction value of the imported goods**



Basic Principle: Transaction value

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- **The Agreement stipulates that CV shall, except in specified circumstances, be based on the actual price of the goods to be valued, which is generally shown on the invoice.**
- **This price, plus adjustments for certain elements listed in Article 8, equals the transaction value, which constitutes the first and most important method of valuation referred to in the Agreement.**

- Conditions to be fulfilled

Evidence of sale

No restriction on the disposition or use

Not subject to additional conditions

Full prices, unless...

Sufficient information for adjustments Buyer and seller not related,
otherwise ...

Related parties



Alternative Valuation Methods

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- **In cases where the Customs value can not be determined on the basis of the transaction value, it will be determined using one of the following methods in the prescribed hierarchical order :**

The transaction value of identical goods

The transaction value of similar goods

The deductive value method

The computed value method

The fall-back method



- **The Agreement is intended to provide a single system that is fair**
- **The Agreement, by its positive definition of value, recognizes that CV should, as far as possible, be based on the actual price of the goods to be valued**
- **The Agreement provides more predictability, stability and transparency for trade**
- **The WTOVA will establish a universal standard CV system that primarily bases the Customs value on the transaction value of the imported goods**



- **The WCO is mandated by the WTO Valuation Committee to administer the technical aspects of the agreement through its Technical Committee on CV.**
- **The responsibility of the Technical Committee which meets twice a year, ensures uniformity in the interpretation and application of the agreement at the technical level.**
- **The WCO strategic plan has three goals in its focus area to have the WTO VA implemented by its members**

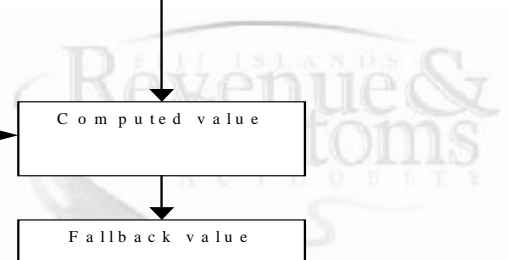
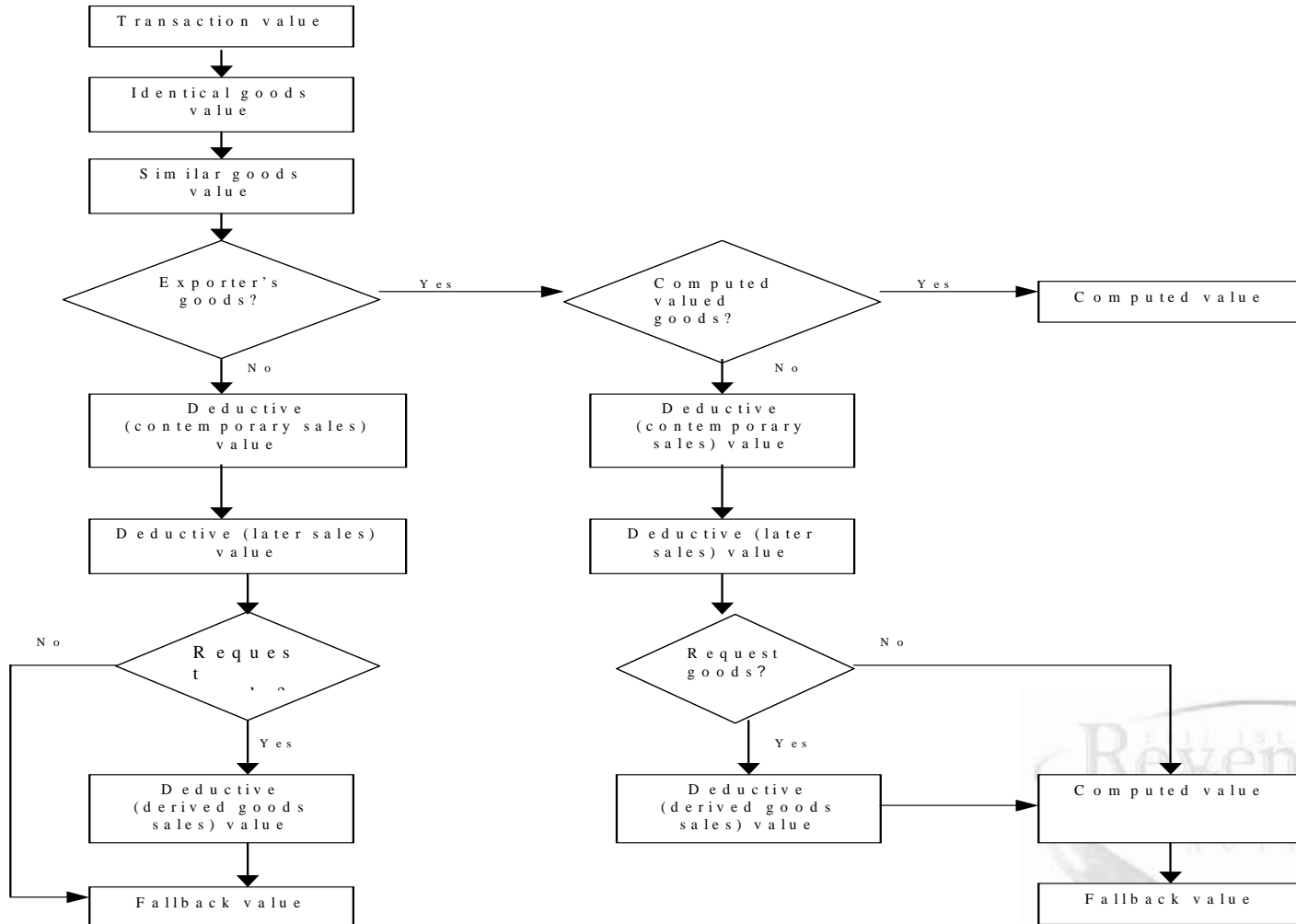
To assist least developed and developing country members to fully implement the WTOVA

To encourage members to interpret and apply the WTO valuation agreement in a uniform, predictable and transparent manner.

To ensure that Members comply with the governing principles of the WTO Valuation Agreement through the application of appropriate work practices



SEQUENCE OF VALUATION METHODS



Customs Valuation Agreement – Fiji

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- **Customs duties - instruments of fiscal and trade policy**
- **Fiji also applies ad valorem duties**
- **Fiji values imported goods for the purpose of assessing ad valorem duty in accordance with the principles of the WTO customs valuation agreement spelled out under the Article VII of GATT 1994**
- **Fiji's legislative valuation provisions are comprehensively set out in Schedule to the customs tariff act 1986(parts 1,2,3)**
- **Fiji's legislation is essentially a mirror reflection of the WTO agreement on customs valuation on which it is based**
- **Fiji became a signatory to the GATT on 14th January 1996**



Customs Valuation Agreement – Fiji

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- **Customs tariff act of 1986 provides Fiji with various methods for valuing imported goods prior to the application of the ad valorem duty rates**
- **Under the Agreement as defined in Article 1 the first and most important method of valuating customs duty should be a Customs valuation system that primarily bases the Customs value on the transaction value of the imported goods**
- **Where the Fiji customs administration suspicions that the transactions value is false, customs administrations may determine the value by going sequentially through five options: (a) the value of identical goods, (b) the value of similar goods, (c) the imported price of identical or similar goods less applicable deductions for costs incurred within the country of import, (d) computed value, constructed by adding to the original cost of materials and fabrication, and (e) if none of these methods work, reasonable means may be used on the basis of the data available in Fiji**



VALUATION METHODS

Method 1: Transaction value method

- It is used for the valuation of the overwhelming majority of shipments into Fiji, and, indeed, worldwide wherever the WTO Valuation Agreement is used.
- The remaining valuation methods are designed to cover those circumstances where the transaction value method cannot be applied.
- This method assumes that the goods have been the subject of a transaction which gave rise to the export of the goods from a foreign country and their importation into Fiji. This transaction is called the import sales transaction.

VALUATION METHODS

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Methods 2 and 3: Identical and similar value methods

- If a Collector cannot determine a value using the transaction value method, the next two steps involve using other shipments (of identical or similar goods) to arrive at a value for the shipment under scrutiny.
- First, try the identical goods method. This involves finding a shipment of the identical goods exported to Fiji at about the same time (that is, within plus or minus 45 days) as the shipment to be valued, for which a transaction value can or has been established.
- If that fails, try the similar goods method. This involves finding a shipment of similar (rather than identical) goods for which a transaction value can or has been established. Again the shipment of similar goods must be exported to Fiji about the same time as the imported goods.



VALUATION METHODS

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A digression: switching the order

- In normal circumstances, if identical or similar goods value methods have failed, the next step is to try the deductive value methods followed by the computed value method.
2. WTO Valuation Agreement allows the order of these two methods to be reversed at the request of the importer.



Methods 4, 5 and 6: Deductive values

- The next groups of valuation methods are, in order, deductive (contemporary sales) value, then deductive (later sales) value, and finally deductive (derived goods sales) value.
- The first two of these deductive methods arrive at customs value by working backwards from the price realized by the sale in Fiji of “comparable” goods by deducting costs which have been added to those goods after exportation.
- The third deductive method, which applies only to request goods, arrives at a customs value by working backward from the sale of “comparable” goods which have been derived from imported goods by assembling, packing or further processing those imported goods in Fiji.
- Request goods are merely goods which an importer has requested be valued by the deductive (derived goods sale) value.

Method 7: Computed value

- Computed value method has a restricted scope. It can be used only if the goods to be valued are exporter's goods. These are goods that are exported directly by the producer, manufacturer, etc, not through some intermediary. The essence of this scheme is to arrive at a value by working through the producer's own records of the costs of production.
- Note that, if an importer asks, and if the goods are exporter's goods, and if the Collector can determine a computed value, this method can be employed before any of the deductive value methods above.
- For a more detailed coverage of this method, refer to the alphabetical entries of exporter's goods, and computed valued goods in Division 5.

VALUATION METHODS

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Method 8: Fallback value

- Fallback value applies when all of the above methods have failed to arrive at an acceptable customs value.
- This method requires a Collector to start again at the top, and flexibly revisit the preceding valuation methods with a view to finding a value by reasonable means. For this reason, fallback is sometimes known as the “flexible” valuation method.
- **Example:** Method 2, identical goods, almost but not quite provided the customs value first time around for a hypothetical shipment of goods. The defects being that the sale took place 47 days, rather than 45 days, away from the date of importation. Because the sale took place two days outside the specific limits of that valuation method, it could not be used under the identical goods method, even though the values produced by using that sale were fair and reasonable. That sale could, however, reasonably be accepted to produce a value under the fallback provision.



Current Situation

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- **FIRCA uses Cost, Insurance and Freight [CIF] value when imposing import duty at the time of importation**
- **Here the invoice value are taken when it is an Free on Board [FOB] added with the insurance and freight element to arrive at CIF converted into Fijian dollars using local exchange rates thus known as Value for Duty [VFD].**
- **On VFD Customs places import duty rates**



Continuation

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- Here all incidental charges incurred by the buyer in Fiji Islands up to the point of importation or discharge of cargoes in Fiji port of entry must be included in the calculation of value for duty.
- The following are only exempted under GATT and World Trade Organization Valuation Agreement and these are:



Continuation

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- Cash discount
- Trade discount
- Quantity discount
- Advance payment discount
- Buying commission
- Royalty if not paid by the buyer in Fiji Islands
- **The above must be freely available to any buyer in the open market and then it would qualify for exemption or treated as non-dutiable element**



Continuation

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- **In case of exports, Free on Board [FOB] is used as the basis for Customs value because we all only interested in the actual money coming into the country as foreign exchange after the exportation of the merchandise / cargoes from Fiji Islands**



- **All trade dispute relating to Customs valuation are resolved by FIRCA-Customs Management**
- **Owner of goods could pay duty under protest and clear the goods from Customs control and later take FIRCA to court of law to challenge the valuation decision**



Anti-Dumping Duty

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- **Dumping is selling in overseas at below normal price at home country**
- **Deals with export in international trade**
- **To drive competition away**
- **Secure monopoly in market share**
- **Hinder foreign competition**



Continuation

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- **Drives local producers out of business**
- **Anti-dumping Act was passed in 1904 by Canada**
- **GATT prohibits dumping**
- **WTO manages anti-dumping**
- **Fiji has anti-dumping legislation**
- **Anti-dumping duty discourages dumping of goods**



VALUATION PROBLEMS

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1. ETHICS & INTEGRITY

- POST COUP EFFECT ON STAFFING- RECRUITMENT
- EFFECT ON VALUATION BY FALSIFYING DOCUMENTS
Example: car & parts clearance
Stones and bricks
- CODE OF CONDUCT PROCESS
- LEGISLATIVE CHANGES ESPECIALLY ON PENALTIES



VALUATION PROBLEMS

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2. DATA BASE

- LIMITED DATA AVAILABLE
- LACK OF DEDICATED DIVISION TO CAPTURE DATA
- LIMITED SKILLS IN USING EXISTING DATA
- ATTEMPTING TO RETRAIN THE STAFF IN THE ASYCUDA



3. FRAUD-UNDER VALUATION

- RELATED IMPORTER AND EXPORTER
- CHICKEN IMPORTER EXAMPLE
- INVESTIGATION DIFFICULTY
- LIMITED SKILLS IN INVESTIGATION



4. INSPECTION

- UNABLE TO INSPECT ALL CONTAINERS
- RISK MANAGEMENT APPROACH
- INTRODUCTION OF XRAY MACHINES

