



WTO Agreement on Customs Valuation

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Presentation

- **Nepal's Commitment to the WTO-Customs related**
 - **Customs Tariff, ODCs, Charges, Customs Valuation**
- **Present Status**
- **Customs Valuation**
- **The WTO Agreement on Customs Valuation**
- **Valuation Rules**
- **Challenges**
- **Nepalese Context**
- **Conclusion**

Nepal's Commitments to the WTO- Customs related

Customs Tariff

- **Nepal has bound all tariff lines except on arms, cement, and petroleum products**
- **The Average applied tariff rate was about 11%**
- **The average tariff bound rate was 51% on agriculture products at the date of accession subject to bringing it down to 42%.**
- **For other merchandise products, average tariff bound rate was 39% at the date of accession subject to lowering it down by 24%**



Other Duties and Charges (ODCs) (Special fee, Local Development fee, Agriculture Reform fee)

- **Nepal has committed gradual elimination of ODCs between two and ten years time from date of accession.**
- **After ten years ODCs will be bound at zero**
- **For ten years Nepal shall apply ODCs subject to gradual reduction**
- **Nepal has also committed not to introduce new ODCs**



Charges for Import Processing at Customs

- **Nepal has reserved the right to introduce service charge either at flat rates or at ad-valorem rates for the services provided for import processing at customs.**



Customs Valuation

- **Gradually and progressively from the date of accession, Nepal would fully implement the Agreement on Customs-Valuation by 1 January 2007**
- **Any changes made in laws, regulations and practices-during the transitional period would not result in a lesser degree of consistency with provisions of the ACV than existed on the date of accession.**
- **As for right to appeal, Nepal committed to establish an independent administrative tribunal to review the decisions of the customs authority regarding customs valuation.**
- **Nepal would participate in the committee on customs valuation and seek technical assistance.**



Present Status

A. Customs Tariff - Progress as per commitment

B. ODCs

- **Gradual elimination of ODCs**
 - **Full elimination of special fee**
 - **Full elimination of local development fee**
 - **Agricultural Reforum fee reduced**
 - **GoN has not introduced any additional ODCs after WTO accession.**



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C. Customs Service Fee

- **Rs. 500 per declaration form for import**
- **Rs. 600 per declaration form for export.**

D. Customs Valuation

- **New Customs Act 2007 replaced the old Act. It incorporates important features of ACV**
- **As for right to appeal, tribunal for customs valuation is provisioned in Customs Act.**



Customs Valuation

- **The Customs value on imported goods is determined mainly for the purpose of applying ad-valorem-duties.**
- **It constitutes` taxable basis for customs duties.**
- **Also an essential element for, trade statistics, for monitoring quantitative restrictions, and for collecting other taxes.**



The WTO Valuation Agreement (ACV)

Formally known as 'Agreement on Implementation of Articles VII of GATT 1994'

Adopted in 1979

Entered into force on 1 January 1981

The Agreement establishes a customs valuation system that primarily bases the customs value on the transaction value of the 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.



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- **The Agreement is intended to provide a single system which is fair, uniform and neutral for the valuation of imported goods for customs purposes, conforming to commercial realities and, outlawing the use of arbitrary or factious customs value.**



The Agreement

4 parts and 24 articles Three annexes

Part I - Rules on Customs valuation

**Part II - Administration, Consultation and
Dispute Settlement**

**Part III - Special and Differential treatment
(for developing countries)**

Part IV – Final Provisions.




Valuation Rules

The Agreement lays down six different methods for determining the customs value:

- **The transaction value of imported goods,**
- **The transaction value of identical goods,**
- **The transaction value of similar goods,**
- **The deduction method,**
- **The computed value method**
- **The fall back or 'reasonable means' method.**

The above methods must be used in hierarchical order.

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Absence of effective customs Valuation System affects

- **the outcome of a country's customs and trade policies**
- **endangers its revenue mobilization performance**
- **aggravates integrity issues.**



Toward Better Customs Valuation Practices:

- **Modernizing customs administration**
 - **Streamlining and computerizing operational procedures**
 - **Modern clearance strategies; Risk management, Post Clearance review**
 - **Professionalism**
- **Strengthening the organization and infrastructure for valuation.**
- **The right legal framework is developed**
- **Reforming the tariff and trade regimes**
 - **Strengthening the indirect tax regime (VAT).**
 - **Post Clearance Audit.**



Challenges to implement the Agreement

- **Valuation fraud (undervaluation or misdescription of goods)**
- **Mode of business (Business by Cash)**
- **Open land borders**
- **Effective Valuation Control system.**
- **Limits in capacity including management quality of customs and lack of compliance culture of business.**



Nepalese Context

- **Proper implementation of ACV in progress**
- **Strong legal base**
- **Post Clearance Audit Strengthened**
- **Risk Management introduced**



Conclusion

- **Need of good governance of Customs and corporate governance of business to properly apply the agreement.**



**Thanks for your
attention**