Calculation of the Incidence of Ad Valorem Duties of each Country for the 570 SITC Items

The calculation gives rise to special difficulties only when the rates in question are not ad valorem rates.

Let us take, for instance, the case of a country whose tariff includes 3 items (items a, b, and c) for which the ad valorem rates are 6\%, 8\% and 10\% respectively, and which are grouped under one item (item A) in the U.N. nomenclature.

The rate to be entered is $A = \frac{6 + 8 + 10}{3} = 8\%$

Difficulties appear when the whole or part of the duties to be transposed are specific duties, or combined specific and ad valorem rates (for instance 10\% but not less than 50 Fr. per kilo). In this case the calculation should take into account the amount levied on the goods concerned cleared for consumption during a reference period, and that amount should be divided by the global value of those goods.

The reference year should be 1950.

The application of this rule concerning the amount of duty levied in 1950 is conceivable, however, only to the extent that the rate applicable to the item concerned has not been altered since that date. Now, it has been decided in London that the duty rates to be taken into account for the work of the Sub-Group should be the rates resulting from the most recent negotiations undertaken under the GATT, that is, the Torquay negotiations.

In the case where a duty of the kind in which we are concerned (combined duty) has been fixed in 1951, it is possible to adopt two formulae.

The first would consist in taking into consideration the imports recorded during the last quarter of 1951, and calculating the average ad valorem rate by dividing, as in the case referred to above, the amount levied by the value of the goods.

This formula may lend itself to criticism in certain cases, in particular when dealing with seasonal imports. In that case, another formula may be preferred, consisting, on the basis of the quantity and the value of the goods deemed to have been imported in 1950, in calculating what the amount levied would have been if the current rates had been applied. Here again, a mere division will give the average ad valorem rate.