1. At the Seventh Session, the CONTRACTING PARTIES were requested to submit reports on the steps taken by them to give effect to the principles of Article VII of the General Agreement and to describe the methods they apply in determining the value of imported goods for customs purposes. The reports submitted were circulated in document L/81, Addenda 1, 2 and 3. According to the terms of reference, the Working Party examined the statements submitted by contracting parties, with special reference to the steps taken to conform to the principles of Article VII, and bearing in mind the provisions of the Protocol of Provisional Application of the General Agreement under which countries are required to give effect to Part II of the Agreement to the fullest extent not inconsistent with their legislation at the date of that Protocol (November 1947). It also had before it Resolution 469B (XV) of the Economic and Social Council regarding the compilation of trade statistics.

2. It will be observed that the following countries have not yet furnished statements in response to the request in document L/81:

- Brazil
- Dominican Republic
- Burma
- Nicaragua
- Chile
- Peru
- Cuba
- Turkey

The Working Party recommends that these countries should be requested to furnish their replies at the earliest possible date and that the replies should then be circulated to all contracting parties.

3. In order to compare the various national provisions, the Working Party prepared the table annexed to this report, in which the principles contained in Article VII of GATT are set out in the form of questions (see Annex). A few subsidiary questions have been added. It should be clearly understood that this synopsis is for the purpose of comparison only, and is not intended to replace the fuller particulars contained in the statements furnished by the contracting parties.

4. The Working Party's examination revealed some instances where countries are at present applying regulations which do not give effect to the principles of Article VII of GATT. These cases are mentioned below.

5. In the following respects the valuation system of the United States of America does not at present give effect to the principles of Article VII:

   (a) valuation by reference to American selling prices;

   (b) valuation by reference to quantities less favourable than those prescribed by paragraph 2 (b) of Article VII.
(c) valuation on a basis other than actual value which results, under certain circumstances, from the application of the "freely offered for sale" provisions of the United States Customs Law;

(d) inclusion of internal taxes from which the imported goods have been or will be relieved;

(e) conversion of prices in foreign currencies otherwise than in accordance with paragraph 4 of Article VII.

6. The Working Party took note of the following statement by the United States delegate regarding the recent passage of the Customs Simplification Act:

"The original Bill which constituted an important step in the direction of relaxing impediments to trade arising from complicated Customs procedures contained provisions designed to improve the present valuation procedure and to remove some of the causes of complaint which have been made against the United States system of valuation. Owing to lack of time for adequate consideration of these provisions, however, it was found necessary to drop them from the Bill in order to secure prompt passage of the remaining improvements in the United States Customs procedure. Deletion of the valuation provisions does not, however, mean that the attempt to improve the system has been given up. These provisions are now the subject of a new Bill which has been passed by the House of Representatives and is expected to be considered by the Senate at its next session. This Bill if enacted into law will eliminate Foreign Value as a basis of determining value for Customs purposes and also make other significant improvements in American valuation procedure. The primary basis of valuation will then be Export Value (refer to question of internal taxes)."

The Working Party noted that the Bill would apparently regularise the position under items (c), (d) and (e) of paragraph 4 above.

7. The Working Party noted that in India and Pakistan ad valorem duties are, in certain cases, applied to fixed values. It was explained that the number of products concerned is relatively small and in general the goods are commodities for which current market values cannot readily be established, that the fixed values are established officially on the basis of average wholesale market rates, less import duty for the preceding period and are established at intervals of twelve months subject to earlier review if necessary, and that the fixed values are applicable to all imports of the products in question. Insofar as the system is limited to products for which actual values cannot be ascertained in accordance with paragraph 2(b) of Article VII, the Indian and Pakistan delegations considered that it was not inconsistent with the principles of paragraph 2(c) of Article VII, having regard to the understanding reached during the discussions on the corresponding article of the Havana Charter (see the note on page 23 of the Analytical Index to the GATT).
8. The Working Party examined the systems in force in certain countries, under which the value for Customs purposes is established on the basis of the export value or the current domestic value, in the country of exportation, whichever is the higher. In the view of the majority of the members of the Working Party, such systems are not inconsistent with the principles of Article VII.

9. Since most countries are already applying valuation systems which are in conformity with Article VII, the Working Party did not feel called upon to make further proposals. In particular, it was not considered advisable, for the time being, to recommend any steps towards a further unification of valuation procedures. The Working Party noted that the Brussels Definition of Value had now come into force in 17 countries and recognized the advantage to countries and governments alike which would accrue from a widening of the area in which a common definition of value applied. In this connection the representative of the Customs Co-operation Council pointed out that although the Brussels Definition of Value adopts a c.i.f. basis, the definition could possibly be adapted to provide for countries which wish to maintain an f.o.b. basis.

10. The Working Party noted that the replies furnished by most contracting parties showed that the value of goods invoiced in foreign currencies is established by conversion of those currencies either on the basis of the par values established under the International Monetary Fund or under Special Exchange Agreements, or else on current bank rates. In most cases the conversion rates are designed to reflect effectively the value of foreign currencies in commercial transactions.

11. The Working Party also enquired into two other questions known to be of special interest to the International Chamber of Commerce, i.e. the acceptance of the commercial invoice as a basis of value and the fixing of values at a c.i.f. or f.o.b. level. The position is indicated in the annexed table. As regards acceptance of commercial invoice prices, no country is able to commit itself to unconditional acceptance of invoice prices, but most countries indicated that in practice the commercial invoice price is acceptable as a basis for valuation in the majority of cases. Values are fixed at a c.i.f. level in a large number of cases, particularly the countries adopting the Brussels Definition of Value; the f.o.b. level is generally adopted by those countries basing value on export prices or current domestic values in the exporting countries.

12. The Working Party also took note of a letter from the International Air Transport Association regarding air freight, but considers that this question only becomes pertinent when a uniform definition of value is under consideration.

13. In view of the importance of questions of valuation to other international bodies and to trade and commercial interests, the Working Party recommends that document L/81 and its addenda, together with this report, should be derestricted after the close of the session.
METHODS OF VALUATION FOR CUSTOMS PURPOSES

Synopsis of the Statements
Received from the Contracting Parties

QUESTION 1 (referring to Article VII: 2(a) of GATT)

Is valuation based on the "actual value" of the imported merchandise on which duty is assessed?

The answers given by the various countries are shown in the attached table.

QUESTION 1a

Is valuation based on the value of the imported merchandise (A) or on like merchandise (B)?

Answers - see table.

QUESTION 1b

Is the invoice value in practice accepted as the actual value, when the goods imported are subject to a bona fide sale?

The answers to this question showed that all countries are, in practice, accepting the invoice value in most instances as a proof of the "actual value" in the sense of the GATT definition.

QUESTION 2 (referring to paragraph 2(a) of Article VII of GATT)

Is valuation based on the value of merchandise of national origin?

Answers - see table.

QUESTION 3 (referring to paragraph 2a of Article VII of GATT)

Is valuation based on arbitrary or fictitious values?

All countries replied in the negative.

QUESTION 4 (referring to Article VII:2(b) of GATT)

At what time is the value determined under the law?

Answers - see table.

Deposit of customs declaration A
Registration of " " B
Clearance C
Other terms, such as purchase, are given in full on the table.

1 Including uniformly assessed values in the sense of paragraph 2:4 of the Interpretative Notes of Article VII.
QUESTION 5 (referring to Article VII:2(b) of GATT)

What is the place at which the value is to be determined?

Answers - see table.

Internal domestic market of the exporting country A
Place of exportation in the exporting country B
Place of importation in the importing country C
Internal market of the importing country D

QUESTION 5a

Is valuation based on c.i.f. or f.o.b. values?

Answers - see table.

QUESTION 6 (referring to Article VII:2(b) of GATT)

Do provisions exist that valuation shall be based on comparable quantities etc., as stipulated in Article VII:2(b)?

Answers - see table.

QUESTION 7 (referring to Article VII:2(b) of GATT)

Is there a general rule governing the method of assessing value where the goods are not sold "under fully competitive conditions"?

Answers - see table.

Question 8 (referring to Article VII:2(c) of GATT)

Do provisions exist that when the "actual value" is not ascertainable in accordance with Article VII:2(b), valuation shall be based on the nearest ascertainable equivalent of such value?

Answers - see table.

QUESTION 9 (referring to Article VII:3 of GATT)

Are internal taxes, applicable within the country of origin or export from which the imported product has been exempted or has been or will be relieved by means of refund, excluded from value as determined for customs purposes?

Answers - see table.
QUESTION 10 (referring to Article VII:4(a) and (b) of GATT)

Are the provisions of paragraph 4(a) and 4(b) of Article VII of GATT regarding conversion of currencies being complied with?

Answers – see table.

QUESTION 11 (referring to Article VII:4(c) of GATT)

Is special provision made for the conversion of currencies in respect of which multiple rates of exchange are maintained, and in such cases are the rules of conversion designed to reflect effectively the value of such foreign currencies in commercial transactions?

Answers – see table.

QUESTIONS 12 and 13 (referring to Article VII:5 of GATT)

Are the bases and methods of determining value stable (question 12), and are these bases and methods given sufficient publicity to enable traders to estimate the value for customs purposes (question 13)?

The answers showed that all countries which have answered the questionnaire have stable regulations and give them sufficient publicity.

QUESTION 14 (referring to Article VII:1 of GATT)

If there are other charges on importation (other than internal taxes or their equivalent), are the same methods of valuation applied to such charges?

Answers – see table.

QUESTION 15 (referring to Article VII:1 of GATT)

Are the methods of valuation employed for the application of quantitative restrictions compatible with Article VII of GATT?

All countries imposing quantitative import restrictions indicated that the methods of valuation employed for the purposes of these restrictions are compatible with Article VII of GATT.
### Table: Synopsis of the Statements Received from the Contracting Parties

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