WTO and GATT REGULATION Example

WTO REGULATION GATT was established in 1947 with 23 members, there were eight negotiation rounds between all these countries. The first 6 rounds were about reducing the tariff rates. The 7th Tokyo Round Agreement on following Article VII of the GATT was signed in 1979. There were several topics discussed and got successful results. The results of agreement reached to bring the average tariff on industrial products reduced to 4.7%; to reduce tariff when it was over eight years; to get the non-tariff barriers obstacles. WTO is an international organization who has 160 members, led by a director general with 640 staff committed to deal with the rules of trade between countries. WTO covers trade in services and trade-related intellectual property rights than GATT rules applied to only merchandise goods. WTO commitments are fully and functionally permanent instead of GATT's provisional basis. Finally, GATT was replaced by WTO following Article VII in 1993 in according to the Uruguay Round. The Principles of WTO agreement were intended to provide a fair, uniform and neutral (FUN) system for the valuation of goods for customs purpose. This Agreement essentially applied that the value for duty should be based on the actually price actually paid or payable for the imported goodsto be the transaction value. The value for duty also should conform to commercial realities. The agreement also refused to use of Arbitrary, fictitious for customs values. WTO agreement gives the right of the customs administrations to request further information of importers where they have reason to doubt the declared value of imported goods.

Transaction Value Method (By Guoping Lu)

The transaction value is determined by finding out the price paid or payable for the goods when the goods are sold for export to Canada to a purchaser who is in Canada, and adjusting the price paid or payable by following the section 48of the Customs Act. WTO generalized the transaction value as the primary method of evaluation as “Price actually paid or payable” on imported goods. In determining the Transaction Value, the price paid or payable may be adjusted and subjected to some additions or some deductions. As we usually do in Canada Customs Invoice, if the following ones are not indicated in field 17 which is the total invoice, price paid or payable, then they have to be added:

- Thedomestic transportation fees and insurance charges in Canada;
- Commission fees;
- Royalties fees;
- Assists; (The Canadian purchaser supplies a free or less cost on the value of the imported goods which are used for the production and sale.)
- The packing cost;
- Subsequent proceeds;

If the following ones are indicated in field 17 which is the total invoice, price paid or payable in CCI, then they have to be deducted:

- The international transportation and insurance charges form other country to Canada;
- Construction, erection & assembly costs;
- Imported duties and taxes.

We can find more information about the transaction value method from D-Memorandum 13. COMPUTED & RESIDUAL METHOD-XIAOBING YANG Computed value (Section 52 of the Customs Act VFDC 18/28) The computed value method is used for the imported goods cannot determine the value for duty under any of the previous methods of valuation. Therefore, in order to determine a value for duty under the computed value method, it is important to collect the information form the country of the goods. In the section 52 of Customs Act, there are key elements to be consisted to computed value:

- The cost of materials employed in producing goods
- Costs to the production of imported goods
- Profit and general expenses.

For example, a Canadian company A purchases equipment from a foreign firm B. The company A cannot apply the methods of valuation from the section 48-51 of the Customs Act, the value of duty is determined under section 52. There is example illustrate for the calculation of the computed value method. According to the section 52 of the Act, all the cost, charge, expenses are added to the goods.

materials	$16
Producing cost	$12
Packing	$1
assists	$1
total	$30
Profit& General expenses	25% x30=$7.5
Value for duty	$37.5

Residual Value (Section 53 of the Customs Act VFDC19/29) By XIAO BING YANG There are some importations that cannot be appraised on the basis of any of the values referred to previous methods, the value for duty of those goods would apply the residual method described in section 53. In fact, the residual value method does not provide the specific rules to determine value for duty. According to section 53 that allows for the flexible interpretation of one of previous methods in sequence. Also, “in applying section 53 of the Act, the value for duty is to be determined on the basis of information available in Canada (Customs Act)”. In the real would, these are two import principles to determine the closer method under the section 53. WORK CITED CBSA. “Computed Value Method- Memorandum D13-8-1.” Govt.of Canada, Feb.04.2014.Web.17.Nov.2014. CBSA. “Residual Basis of

Appraisal Method- Memorandum D.” Govt.of Canada, Nov.19.2013. Web.17.Nov.2014. TRANSACTION VALUE METHOD- GUOPING LU The transaction value is determined by ascertaining the price paid or paid for the goods when the goods are sold for export to Canada to a purchaser in Canada, and adjusting the price paid or payable in according to thesubsection 48(5)of the Customs Act. WTO summarized the transaction value as the primary source of appraisal on imported goods as “Price actually paid or payable” which means total payment. In determining the Transaction Value, the price paid or payable may be subject to additions or deductions. To the extent that they are not already included in the price paid or payable, amounts equal to the following are to be added:

- (a)certain commissions and brokerage;
- (b)all packing costs and charges;
- (c)the value of certain goods and services provided free or at a reduced charge by the purchaser for use in the production of the imported goods (assists);
- (d)certain royalties and licence fees;
- (e)the value of any proceeds from the subsequent resale, disposal, or use of the goods which accrue to the vendor; and
- (f)the costs of transportation and associated costs relating to the movement of the goods to and at the place from which the goods were shipped directly to Canada.

To the extent that they are already included in the price paid or payable, amounts equal to the following are to be deducted:

- (a)the costs of transportation and associated costs relating to the movement of the goods from the place from which the goods were shipped directly to Canada;
- (b)certain costs, charges, or expenses incurred or arising after importation in respect of the goods being appraised; and
- (c)Canadian duties and taxes.

Work cited CBSA. “Transaction Valuation- Memorandum D13-4-1.” Govt.of Canada, 17 April 2001.Web. 17 Nov.2014.