

Press Release

New Customs Valuation Rules to take effect on 1 April 2005

Bermuda has adopted the World Trade Organization (WTO) Valuation Agreement, (the new valuation rules) as the basis for determining the customs value of goods imported into the Island. The WTO Valuation Agreement is formally known as the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (GATT).

The customs value of imported goods is determined mainly for the purpose of applying *ad valorem* import duty. In other words, the customs value is the taxable basis for customs duties. It is also an essential element for trade statistics and for monitoring duty relief.

The new valuation rules are a part (module) of the Revenue Amendment Act 2004 which received Royal Assent on March 26 2004. The new valuation rules will come into force on 1 April 2005 by virtue of Revenue Amendment Act 2004 Commencement Day (No. 3) Notice 2004 (BR 65/2004) and will appear as a Second Schedule to the Revenue Act 1898.

Under the new valuation rules the Customs value is primarily based on the **transaction value** of the imported goods (Method 1), which is the price actually paid or payable for the goods when sold for export to Bermuda, plus certain adjustments. Most importers using Method 1 under the new valuation rules will notice little or no practical difference between Method 1 and the way they value their goods presently (the invoice cost of the goods, plus certain adjustments).

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 alternate methods:

- Method 2 - The transaction value of identical goods;
- Method 3 - The transaction value of similar goods;
- Method 4 - The deductive value method;
- Method 5 - The computed value method;
- Method 6 - The fall-back method.

The above valuation methods must be used in hierarchical order; although the order in which methods 4 and 5 are applied may be determined by the importer.

The new valuation rules provide importers with a single system that 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 fictitious Customs values.

The Rules by their positive definition of value, ensure that Customs valuation should, as far as possible, be based on the actual price of the goods to be valued, thus providing a direct link between the collection of duties and commercial reality. Importantly, this basis in commercial reality means that the new valuation rules are neutral in their effect on trade competitiveness. In addition, price adjustments are listed exhaustively and must be based on objective and quantifiable elements. This latter stipulation reduces arbitrariness and supports sure and uniform application of the rules.

The predictability, stability and transparency of the rules will enable Customs Traders to determine in advance the taxable basis for their goods without the possibility of arbitrary judgment detrimental to their business.

In preparation for the commencement of the new valuation rules, the Customs Department is hosting a series of Industry Information Meetings providing an overview of the new valuation rules and including a questions and answers session. To sign up for an Industry Information Meeting please telephone 295-4816 x244.

A Customs Valuation Unit has also been formed to maintain a close working relationship with the importing public and Customs Officers. Officers of the Customs Valuation Unit will furnish information and advice on questions concerning the valuation of imported goods as requested by importers. The Unit will also have responsibility for examining specific technical problems arising from the day-to-day administration of the customs valuation rules, and will provide technical assistance to Customs Officers as required.

A Customs Public Notice (No.18) entitled "Customs Valuation Rules" will be issued upon commencement of the new valuation rules. This public notice gives the legal background and detailed guidance to importers on how to value imported goods for duty calculation purposes. There is also advice on where to get help with valuation issues.

For general advice regarding the proper valuation of imported goods the public is invited to contact the Customs Department by e-mail at customs@gov.bm or by telephone at 295-4816 x280.

Collector of Customs