

Methods of Determining Value for Duty

This procedure briefly outlines and explains the methods of determining value for duty under the provision of the Customs Act.

Guidelines and General Information

1. Under the Customs Act, the primary basis of determining the value for duty of imported goods is the transaction value. This method and five subsidiary bases of determining value are contained in Section 19 (including Paragraphs 2 to 9 of the schedule to S. 19) of the Customs Act. In order to determine value for duty the first of these methods that can be applied based on the circumstances of the transaction involving the imported goods must be used. Only in one instance can the order of sequential application as set out by the legislation be altered. The order of application of Paragraph 6 and 7 can be reversed only at the request of the importer with the consent of the Commissioner. See Paragraph 2 (3) of the Schedule for provision relating to the sequential application of the various methods of valuation.
2. The primary basis of value determination and the five subsidiary methods are as follows:
 - (1) The Transaction Value Method - Paragraph 3, 8 & 9 of the Schedule to the Customs Act;
 - (2) Valuation by reference to the Transaction Value of Identical Goods - Paragraph 4 of the Schedule to the Customs Act;

- (3) Valuation by reference to the Transaction Value of Similar Goods - Paragraph 5 of the Schedule to the Customs Act;
- (4) The Deductive Method of Valuation - Paragraph 6 of the Schedule to the Customs Act;
- (5) The Computed Method of Valuation - Paragraph 7 of the Schedule to the Customs Act;
- (6) The Fallback Method of Valuation - Paragraph 2 of the Schedule to the Customs Act.

3. It is a requirement that importers make and submit a Declaration of Value along with the import entry for clearance procedures. This declaration must be via the C84, if the basis of value is the transaction value, or the C85, if one of the other methods is being used. It is important to understand that the determination of value for customs purposes lies with the importer in the first instance; therefore a declaration of value is necessary. The Customs Department will verify the value declared to satisfy itself as to the truth or accuracy of the declaration. This value declared must be determined using objective and quantifiable data. This means that importers must keep on hand all documentary evidence to substantiate values declared. ***It will be difficult for the Customs Department to accept values that it cannot verify. Hence importers cannot expect the Customs to apply these principles of valuation in its purest sense where objective and quantifiable data does not exist. In such circumstances, the Department will have to resort to best judgment to determine value for customs duty purposes.***

A brief outline of the key elements of the various methods is given

below:

Paragraphs 3, 8 & 9 of the Schedule to the Customs Act:

4. This is the primary method of Valuation. Value for duty is based on the price paid or payable (see CAPP#...) for the goods being appraised. Certain adjustments, both additions and deductions, can be made to this price to arrive at the transaction value of the goods. If the transaction value meets certain criteria for acceptability set out in Paragraph 3 (1) & (2) of the Schedule, it will be the value for duty. Paragraph 3 can only be applied in cases where the goods being appraised are sold for export (see CAPP#...) to Jamaica.

Paragraph 4 of the Schedule to the Customs Act:

5. If Paragraph 3 cannot be applied, consideration must be given to the method of valuation set out in Paragraph 4. In Paragraph 4, value for duty is based upon the transaction value (that is, value determined in accordance with Paragraph 3) of goods that are identical to the goods being appraised. The transaction value of the identical goods can be adjusted if there are differences in trade levels, quantities as well as differences in mode and/or distance of transportation between the identical goods and the goods being appraised. The value for duty of the goods being appraised would be the transaction value for the identical goods adjusted to account for the differences mentioned above.

Paragraph 5 of the Schedule to the Customs Act:

6. When Paragraph 4 cannot be applied, the method of valuation set out in Paragraph 5 is essentially the same as that contained in Paragraph 4 except that the basis of value for duty is the transaction value of goods that are similar to the goods being appraised. Such a transaction value, which can be adjusted in the same way as shown with Paragraph 4, would be the value for duty of the goods being appraised.

Paragraph 6 of the Schedule to the Customs Act:

7. If Paragraph 5 is not applicable to the importation in question, Paragraph 6 must then be applied unless the importer has requested that the order of Paragraph 6 and 7 be reversed. The value for duty is determined by looking at sales in Jamaica of the goods being appraised or of identical or similar imported goods. A “price per unit is established on the basis of these sales from which amounts are deducted to account for profit earned and general expenses incurred on sales in Jamaica, certain transportation costs and Jamaican duties and taxes. The “price per unit” once adjusted, would be used in calculating the value for duty of the goods being appraised.

Paragraph 7 of the Schedule to the Customs Act:

8. Under Paragraph 7 determination of value for duty begins with the cost of production of the goods being appraised. To this are added amounts to account for profit and general expenses usually reflected in sales for export to

Jamaica. The total amount would form the basis for calculating the value for duty of the goods being appraised. (Computed Value Method - *Use deferred until March 2004*)

Paragraph 2 (5)(6) of the Schedule to the Customs Act:

9. If all the previous methods of valuation have been examined and been found to be inapplicable to the circumstances surrounding the transaction involving the goods being appraised, Paragraph 2 (5)(6) is then applied. Under Paragraph 2 (5 - 6) of the Schedule the value for duty is derived from a flexible application of one of the previous methods of valuation set out in Paragraphs 3 - 7.