



## **SCREENING CHAPTER 29 CUSTOMS UNION**

# **AGENDA ITEM 11: CUSTOMS VALUATION**

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Turkey signed “The Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade” in 1988 and started implementing it as of February 12, 1994. Before that, Turkey had applied The Brussels Definition of Value (BDV).

Turkey harmonized customs valuation provisions with that of the EC in line with the provisions of Article 28 of the EC-Turkey Association Council Decision No. 1/95. Therefore, provisions related to customs valuation in Customs Law (CL) are written in accordance with the relevant provisions of the Council Regulation No. 2913/92.



## Legal Framework

- Customs Law No. 4458 (CL)  
(OG No. 23866, dated 04.11.1999)
- Implementing Regulation of Customs Law (IRCL)  
(OG No. 23939, dated 20.01.2000)
- WTO Valuation Agreement
- Text of the Technical Committee on Customs Valuation



- Customs Valuation  
(Title 2 - Chapter 3 of the CL - Articles 23-31)
  
- Customs Valuation  
(Title 2 - Chapter 3 of IRCL - Articles 35-49)



## Value of Goods for Customs Purposes

**Article 23 of CL** states that the customs value of the goods is determined for the purposes of applying the Customs tariff and non-tariff measures laid down on specific fields relating to trade in goods.



## **Customs valuation is essential for the purposes below;**

- determination of the VAT basis
- import statistics
- foreign trade measures, such as quotas
- application of origin rules



## Customs Valuation Methods

**As stated in Article 36 of the IRCL**, customs valuation of the imported goods is determined according to the following methods applied in their hierarchical order;

- transaction value method
- transaction value of the identical goods method
- transaction value of the similar goods method
- deductive method
- computed value method
- fallback method



## Transaction Value Method (1/8)

### Definition

This method is used first and foremost for the goods that are imported into Turkey

It is the price actually paid or payable for the goods when sold for export to the Turkish customs territory and it is adjusted where necessary according to **Articles 27-28 of CL**





## Transaction Value Method (2/8)

**The price actually paid or payable** is the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods and includes all payments made or to be made as a condition of sale of the imported goods by the buyer to the seller or by the buyer to a third party to satisfy an obligation of the seller (**Article 24/3-a of CL**)



## Transaction Value Method (3/8)

### Requirements for the Application of Transaction Value Method (**Article 24 of CL**)

- there must be a “sale”; when the transactions do not involve a payment (i.e. free consignments) or when the payment is made for hiring or leasing the goods, there is no sale
- the conditions stated in Article 24 of CL have to be fulfilled



## Transaction Value Method (4/8)

These conditions are;

- 1- No restrictions as to the disposal or use of the goods by the buyer
- 2- Sale or price is not subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued



## Transaction Value Method (5/8)

3- No part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with Article 27

4- Buyer and seller are not related, or, where the buyer and seller are related then the transaction value must be acceptable for customs purposes



## Transaction Value Method (6/8)

### Relationship

- **Article 48 of IRCL** states the cases in which the relationship between the buyer and the seller is deemed obvious.

If the buyer and the seller are the members of the same family, then this proves the existence of a relationship.

- When there is a relationship between the seller and the buyer, Customs decides whether or not to apply transaction value method only after the procedures in **Article 24/2 of CL** have been followed and the customs would satisfy itself that the relationship doesn't influence the price.



## Transaction Value Method (7/8)

### Inclusions

**Article 27 of CL** lists what are to be included to the price when determining the customs value.

Such as; royalty and license fees, the value of any part of the proceeds of any subsequent resale, the cost of transport and insurance of the imported goods incurred before the goods arrive to the Turkish customs territory.



## Transaction Value Method (8/8)

### Exclusions

The items listed under **Article 28 of CL**, are excluded from the customs value, provided that they are shown separately from the price actually paid or payable.

Such as; charges for the transport of goods after importation, charges for the right to reproduce imported goods in Turkey, buying commissions, import duties or other charges.



## Transaction Value of the Identical Goods Method

When the customs value of the imported goods cannot be determined by using transaction value method, **transaction value of the identical goods method** is used.

**Article 25/2-a of CL and Article 38 of IRCL** explain how the customs value should be determined in accordance with this method.

Identical goods are the goods that are produced in the same country with the goods being valued and have the same physical characteristics, quality and reputation.





## Transaction value of the similar goods method (1/2)

When the customs value of the imported goods cannot be determined by using transaction value method and transaction value of the identical goods method, transaction value of the similar goods method is used.

**Article 25/2-b of CL** and **Article 39 of IRCL** explain how the customs value should be determined in accordance with this method.



## Transaction value of the similar goods method (2/2)

Similar goods are the goods which, although not alike in all respects, have:

- similar characteristics, and
- similar component materials

and which enable them to:

- perform the same function, and
- be commercially interchangeable with the goods being valued

Only the goods produced in the same country with the goods being valued can be considered similar goods.



## **Deductive Method (value based on unit price)**

**Article 25/2-c of CL** and **Article 40 of the IRCL** explain the application of deductive method.

Deductive value is the value based on the unit price at which the imported goods, identical or similar imported goods are sold within Turkey in the greatest aggregate quantity to persons not related to the sellers.



## Computed Value Method

According to **Article 25/2-d of CL** and **Article 41 of IRCL**, computed value consists of the sum of the cost or value of materials and production costs, normal amount of profit and general expenses reflected in sales of goods of the same class or kind as the goods being valued and the other costs or values of the items referred to in **Article 27/1-e**, that are transport, loading and handling, insurance costs incurred before arrival to Turkey.



## Simplified Procedures (1/2)

**Article 31/2 of CL** states that without prejudice to **Articles 24, 25 and 26**, the customs value of perishable goods released on consignment, at the request of the declarant, may be determined under simplified procedures.



## Simplified Procedures (2/2)

**Article 45 of IRCL** regulates the implementation of simplified procedures on customs valuation;

- for the perishable goods released on consignment and
- for the goods, the items which are to be added to the price actually paid or payable for the determination of the customs value will be declared after importation to Turkey.



## TWINNING PROJECT

During the ongoing Twinning Project with German Customs Administration, the technical study on the harmonization of the customs legislation of Turkey with that of the EC proved that some further provisions need to be added to IRCL for full alignment with the Commission Regulation No. 2454/93.

For this purpose, technical work has started.



THANK YOU FOR YOUR  
ATTENTION