

**COMMITTEE ON CUSTOMS VALUATION
TRANSITIONAL REVIEW UNDER ARTICLE 18 OF THE PROTOCOL
OF ACCESSION OF THE PEOPLE'S REPUBLIC OF CHINA**

The following communication, dated 29 October 2002, has been received from the Permanent Mission of China.

**Information Required in Annex 1A
The use of valuation methods, other than the stated transaction value**

China committed itself to the full application of the WTO Agreement on Customs Valuation, including valuation methodologies set forth in Articles 1 through 8 thereof, upon its accession. In addition, China would apply the provisions of the two decisions taken by the Committee on Customs Valuation concerning the treatment of interest charges in the customs value of imported goods and valuation of carrier media bearing software for data processing equipment as soon as practicable, but in any event no later than two years from the date of accession, as referred to in paragraph 143 of the Working Party Report on Accession of China.

Since the accession to the WTO, China has been implementing the commitments seriously. The Customs Authorities in China has been applying principles and procedures that entirely comply with the WTO Agreement on Customs Valuation to imported goods.

In this regard, China would like to provide the following information to the Committee on Customs Valuation, as required by Annex 1 to the Protocol of Accession of China.

I. Valuation legislation

In light of the requirement of the WTO that the legislation of Members should embody the basic principles and contents of the Agreement on Customs Valuation, China has made great efforts to improve its relevant legislation in the following aspects.

1. The revised Customs Law of the People's Republic of China came into force on 1 January 2001. It requires that the principle of "transaction value" be applied to the valuation of imported and exported goods, by providing in Article 55 that the customs value of imported and exported goods shall be determined by the Customs on the basis of transaction value.
2. The General Administration of Customs of China (GACC) promulgated the newly revised Rules regarding Determination on Customs Value of Imported and Exported Goods in

Decree No. 95, 2001 on 31 December 2001, which entered into force on 1 January 2002. In accordance with the text and the explanatory notes of the Customs Valuation Agreement, China has amended its provisions on valuation methods and procedure in an all-round way and has made them fully conform to the norms of the Customs Valuation Agreement. In this context, the following two points are to be noted.

- (1) Article 1 through 8 of the Agreement stipulates that the customs value of imported goods shall be the transaction value. When declared value can not be accepted as transaction value when determining the customs value, the Customs Authorities shall apply the following valuation methods in sequential order: 1) transaction value of identical goods method; 2) transaction value of similar goods method; 3) deductive method; 4) computed value method and 5) fallback method. (See Articles 3 through 11 of the above-mentioned Rules).
- (2) With a view to balancing the rights and obligations between the Customs and importers when determining customs value, the Rules provides clearly for the right of obtaining information on the issue, the right of goods release with guarantee provided, the right of appeal on the importers' side, vis-à-vis the right of verifying declared value as well as the obligation to keep the information in confidence on the Customs' side, according to Article 10, 11, 13, 16 and 17 of the Customs Valuation Agreement. (See Article 38, 39, 37, 36 and 32 of the Rules).
3. With a view to fulfilling the obligation of notification, and in conformity with the requirement of Article 22 of the Customs Valuation Agreement, China submitted both in Chinese and English translation of the above mentioned Rules to the Committee in June 2002, and the replies to the checklist of issues as well.

II. Implementation and application

Statistics show that the rate of applying transaction value in determining customs value in China from January to September this year amounted to 94.89%. The formula used is: the Rate = (the total number of dutiable imports declared – the number of reassessed dutiable imports declared)/the total number of dutiable imports declared.

In cases where the declared value could not be accepted as transaction value, the Customs Authorities in China has reassessed the customs value strictly in accordance with the principle and procedure of the Customs Valuation Agreement.

III. Transparency

Fulfilling the commitments it made upon accession to the WTO and to meet the requirement of Article 12 the Customs Valuation Agreement, China published the Customs Law and the Rules Regarding Determination on Customs Value of Imported and Exported Goods. Besides, an official journal, "Gazette of China Customs" is also to be established in the near future. Interested parties may also visit the web-site of the General Administration of Customs of China for information (<http://www.customs.gov.cn>).

IV. Other related issues

As to the Decision on Treatment of Interest Charges in the Customs Value of Imported Goods and the Decision on Valuation of Carrier Media Bearing Software for Data Processing Equipment, which were adopted by the Committee on Customs Valuation, China is making preparations for their application by 11 December 2003.
