

WCO



OMD

**GUIDELINES ON THE DEVELOPMENT AND USE
OF A NATIONAL VALUATION DATABASE
AS A RISK ASSESSMENT TOOL**

Table of Contents

Preamble

Introduction

Use of a database

Caveat regarding the use of a database

Data to be included in a database

Validity of the data

Possibility of cross-checking

Monitoring Mechanism

Preamble :

1. These Guidelines address various issues pertaining to the development and use of a national valuation database. A national valuation database is a risk assessment tool which may be used by a Customs Administration along with other risk tools to assess potential risk regarding the truth or accuracy of the declared Customs value for imported goods. The information in the database should be recent data reflecting the Customs value and other pertinent information for previously imported goods. The values may not be used to determine the Customs value for imported goods, as a substitute value for imported goods, or as a mechanism to establish minimum values. In addition, recognizing that differences in prices, including substantial declines, are a part of international trade, a difference between the declared value and the database value(s) is not by itself a reliable indicator of potential risk with respect to the truth or accuracy of the declared value, subject to the provisions of Decision 6.1.
2. A Customs Administration that uses a valuation database should establish a monitoring mechanism to ensure that the database is being used as a risk assessment tool and that the information stored in the database is updated on a regular basis.

Introduction

3. The Agreement on Implementation of Article VII of the GATT 1994, more commonly known as the WTO Agreement on Customs Valuation (the Agreement), introduces a fair, uniform and neutral system for the Customs valuation of imported goods, which is consistent with commercial practices and precludes the use of arbitrary or fictitious Customs values.
4. The basis for the valuation of goods under this system is, to the greatest extent possible, the transaction value of the imported goods which is the price actually paid or payable for the goods when sold for export to the country of importation, adjusted in accordance with the provisions of Article 8 of the Agreement.
5. Where the Customs value cannot be determined using the transaction value method, the Agreement provides for five other methods, to be used in turn.
6. Customs has the right to satisfy itself as to the truth or accuracy of the value declared. The application of an appropriate risk assessment and management procedure enables Customs to exercise this right in a pragmatic manner. Such procedures may use, *inter alia*, a valuation database.
7. The data contained in a valuation database should be treated in accordance with the applicable confidentiality provisions.
8. Within the context of Customs controls, Chapter 6 of the Guidelines on the General Annex to the Revised Kyoto Convention (*Customs controls*) includes the following definitions of the concepts of risk assessment and risk management :

Risk assessment : “The systematic determination of risk management priorities by evaluating and comparing the level of risk against predetermined standards, target risk levels or other criteria.”

Risk management : “The systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk.”
9. In the context of Customs valuation, application of the above concepts requires that risk assessment mechanisms must be selective and targeted. It is not appropriate to apply simple statistical or price indicators to all imports on a comprehensive basis, as a means to measure potential risk with regard to the truth or accuracy of Customs value. The development and use of a valuation database must take account of the above-mentioned risk assessment and management procedures.

Use of a database :

10. A valuation database may be used by a Customs Administration only as a risk assessment tool. It has to be designed specially to assess potential risk regarding the truth or accuracy of the declared value for imported goods.
11. Database management systems will usually enable a Customs Administration to compare the declared value to previously accepted Customs value(s). Recognizing that price variations are a normal part of international trade, the results of any such comparison do not in themselves represent a comprehensive or sufficient indicator of potential risk. Therefore, while an abnormally large difference between the declared value and the databases value(s) for that product could constitute a potential risk factor, any such difference must be considered along with other potential risk factors, such as the lack of supporting documentation, prior problems with the importer, etc., in determining what further action, if any, is appropriate with regard to the declared value.
12. Where the application of appropriate database technology indicates the existence of potential risk in well-defined circumstances, Customs may apply a number of measures. For example, Customs may place the operations of a particular importer under scrutiny and take appropriate monitoring action. In other cases where there are concrete indications that the declared values represent a risk with respect to their truth or accuracy, and after taking into account all the relevant risk factors the Customs Administration has doubts about the truth or accuracy of the declared value, it could follow the procedures set forth in Decision 6.1 of the WTO Committee on Customs Valuation. Such procedures start by asking the importer to provide further evidence to support the declared value. Another example of a measure that can be taken by Customs Administration in cases of potential risk is a post-importation audit of the importer.
13. The Customs Administration cannot reject the declared value based solely on a difference between the declared value and the database value(s). Rather, the value(s) stored in the database should, alongside other indicators applied by Customs, serve only as an indicator of potential risk and represents no more than initial indicative information helping to reinforce or dispel Customs' doubts about the truth or accuracy of the declared value.
14. The database can also be used as a risk assessment tool to perform cross-checks in order to target specific import declarations for examination.
15. Normally, a valuation database should form part of a more extensive database embracing risk assessment linked to other aspects of the import/export operation, such as origin, tariff code number, importer's profile, exporter's profile, etc.
16. Each Customs Administration should determine, with reference to its own needs, which authorized staff will have access to the national valuation database.

17. The use of databases in the risk assessment context may occur at any stage : prior to the lodging of the import declaration, at the time when the declaration is lodged (verification of the data entered in the declaration), throughout the clearance process and/or after the goods have been released.

Caveat regarding the use of a database :

18. A Customs Administration may not :
- Use a database to determine the Customs value of imported goods, as a substitute value for imported goods or as a mechanism to establish minimum values;
 - Reject the declared value solely on the basis of a difference between the declared value and the database values;
 - Disregard the requirements of article 13 of the WTO Valuation Agreement (concerning release of imported goods upon sufficient guarantee) in order to employ a valuation database; or
 - Use a valuation database as a substitute for other techniques, such as post-importation audit, to assess the truth or accuracy of the declared value.

Data to be included in a database :

19. Within the framework of a risk assessment policy for valuation, the data to be included in a valuation database may vary, depending on the state of development of the risk management policy of the Member concerned and should be based on relevant elements from the WCO Customs Data Model.
20. The usefulness of a valuation database as a risk assessment tool depends on the reliability and relevance of the data for the purposes of determining the truth or accuracy of the declared value. Therefore, the data should include the Customs value for previous importations determined in accordance with the Agreement. The data may also include the applicable method of valuation (for example, transaction value, computed value, etc.) and elements included in the Customs value (for example, assists, royalties, selling commissions, etc.). Other data from the import declaration, such as whether the parties are related, may also be included.
21. The data to be included in the database is generally the data found in the import declarations and supporting documents of previous importations. The database may also include other pertinent and reliable data for risk assessment purposes.

22. In an automated database, virtually all of this data could constitute key-words providing search access. For example, doing a search on “country of origin” should, at least, make it possible to find information about all importations of goods from the country concerned during a specified period; at best, it should provide a range of information about the type of goods exported from that country, etc.

Validity of the data :

23. In order to properly perform its function as a risk assessment tool, data in the database should be recent and up-to-date. What is considered recent and up-to-date may depend on the commodity involved, the frequency of price fluctuations, and other pertinent factors.

Possibility of cross-checking :

24. The database can also be used as a means of performing cross-checks in order to target those importations which are likely to contain a potential risk and, from that starting-point, select the import declarations concerned for examination.
25. Thus, for example, if it has been established in the past - under the provisions of paragraphs 1 (d) and 2 of Article 1 of the Agreement, and paragraph 4 of Article 15 thereof - that a buyer/importer is related to his supplier/seller, that this relationship has influenced the price, and that this has caused the declared value to be rejected, there could be a function in the system which selects all future declarations concerning transactions between that buyer/importer and that supplier/seller, so that Customs will be in a position to check whether the relationship still exists and, if so, whether it is still producing the same effects.
26. Similarly, if it has been established in the past - under the provisions of paragraph 1 (a) of Article 8 - that commissions (other than buying commissions) have been paid in connection with a transaction between a buyer/importer and a supplier/seller, and the declared value was adjusted as a result, the system should be able to select all future declarations for transactions between that buyer/importer and that supplier/seller, so that Customs can check whether this type of payment is still being made and, where appropriate, adjust the declared value accordingly.
27. The same would apply to several other provisions of the Agreement (conditions of application of Article 1, goods and services supplied by the buyer, royalties, proceeds of resale, etc.).

Monitoring Mechanism :

28. A Customs Administration that uses a valuation database should establish a monitoring mechanism to ensure that it is being used only for the purpose of risk assessment described in these Guidelines and to ensure that the information in the database is updated on a regular and continual basis.