

DIRECTIVE No. 23

VALUATION OF IMPORTED GOODS FOR CUSTOMS PURPOSES

Issued by the Agent of the Impôts on the 8 October 2021

1. Introduction

Customs valuation is the process to determine the customs value of goods.

The customs value is essential to determine the correct amount of any customs duty to be paid on imported goods.

There are a number of methods for establishing the value on which Customs Duty is calculated.

Customs Duty is often charged as a percentage value of the goods imported – called ‘ad valorem duty’. The amount of duty you must pay depends on the customs value of your goods.

There are 6 ‘methods’ to arrive at the value for Customs Duty. Over 90% of importations use Method 1 (the transaction value method).

Traders must use each Method in order from 1 to 6, except Method 5 can be used before Method 4.

2. Content

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3. Definitions

“Agent of the Impôts” means Head of the Jersey Customs and Immigration Service.

“CAESAR” means the Customs and Excise System for Administering Revenue.

“Customs Law” means the Customs and Excise (Jersey) Law 1999.

“Customs Order” means the Customs and Excise (Customs Tariff and Import Duty) (Jersey) Order 2019.

“JCIS” means Jersey Customs and Immigration Service

“Third Country” means any country outside the United Kingdom - Crown Dependencies Customs Union.

“UK – CD’s Customs Union” - means Jersey, UK, Guernsey and the Isle of Man.

4. Legal basis

Article 6(1A)(b) of the Customs Law provides for the Agent of the Impôts to implement the UK - CDs Customs Arrangement.

The “Arrangement” which is the arrangement entered into between Jersey and the United Kingdom covers all trade in goods that includes the elimination between its members of customs duty on imports and exports, and the adoption of the UK Global Tariff in their relations with third countries; and requires the members of the customs union to keep their Customs Law correspondent with that of the United Kingdom.

Paragraph 11 of the “Arrangement” states - subject to any variations in practice and procedure which may be agreed between the Competent Authorities of the United Kingdom and Jersey, Jersey’s Competent Authority will adopt practices and procedures for the management of operations relating to Jersey Customs Law correspondent with those in the United Kingdom.

Article 2 of the Customs Order defines “import duty” and provides that such duty is to be collected and paid in accordance with the Customs Law.

Article 3 of the Customs Order creates an obligation to declare goods on importation for one of 2 customs procedures, either for release for free circulation in Jersey or for a “special customs procedure”.

Article 3 (5)(a) of the Customs Order provides for relief from import duty for a special custom procedure.

Article 5 of the Customs Order specifies the persons liable to pay import duty on imported dutiable goods.

Article 7 of the Customs Order gives effect in Jersey to the United Kingdom tariff regulations.

Article 8 and 9 of the Customs Order define, respectively, the value of goods and place of origin of goods for the purposes of import duty.

Article 15 of the Customs Law provides for goods which are under customs control may not be stored, manufactured, produced or otherwise processed except in premises approved by the Agent of the Impôts for that purpose.

Article 17 of the Customs Law provides that the Agents of Impôts may give directions, subject to conditions as he or she may impose, permitting the movement of goods which are under customs control.

5. Valuation methods

There are a number of methods for establishing the value on which Customs Duty is calculated. This Directive explains what the methods are and when they may be used.

6. Method 1 – Transaction value

This is the first method you must try. It is called the ‘transaction value’.

It is the normal method of valuation which applies to over 90% of importations liable to Customs Duty.

Customs Duty is charged as a percentage of the value of the goods being imported – “ad valorem duty”.

To calculate the amount of Customs Duty payable the customs value must first be established.

Generally, this is the price paid or payable by the buyer to the seller for the goods when sold for export to the Customs Union.

The price includes additions to the price actually paid/payable, where not already included in the price:

- commissions and brokerage (excluding buying commission*)
- cost of containers/packing
- materials, components, tools, dies, engineering, development, plans, sketches etc. supplied by buyer to seller free of charge or at a reduced cost
- royalties and licence fees
- proceeds of subsequent sale accruing to seller
- delivery costs, i.e., transport/insurance/loading and handling charges to the Customs Union.

***Buying Commission**

Fees paid by importer to agent for services representing him/her company in purchase of imported goods (e.g., finding supplier, inspecting goods, arranging insurance/transportations).

7. Method 2 – Identical goods

The second Method is based on the customs value of identical goods exported to the Customs Union at or about the same time as the goods to be valued.

These are goods produced in the same country as those being valued.

They must also be the same in all respects, such as physical characteristics, quality and reputation. Minor differences in appearance do not matter. If the producer of the Method 2 goods does not produce Method 1 goods, another producer's goods may be used for comparison.

If there are no identical goods this rules out Method 2. You must try Method 3.

8. Method 3 – Similar goods

The third Method is based on the customs value of similar goods exported to the Customs Union at or about the same time as the goods to be valued.

These are goods which differ in some respects from the goods being valued but they:

- are produced in the same country
- can carry out the same tasks
- are commercially interchangeable

Where similar goods are not made by the producer of the goods to be valued, you can use similar goods produced by a different person.

If there are no similar goods this rules out Method 3. You now have a choice to either try Method 4 or Method 5.

9. Method 4 – Selling price of goods in Jersey

The fourth Method is based on the selling price of the goods in the Customs Union.

Method 5 can be tried before Method 4 if you wish.

The customs value is based on the price of each item (unit price) at which:

- the imported goods
- identical imported goods
- similar imported goods

are sold in the Customs Union in the condition as imported to customers unrelated to the seller.

The unit price must relate to sales in the greatest aggregate quantity at or about the time of the importation of the goods to be valued.

You must be able to produce details of the sales in the greatest aggregate quantity at the time of entry into free circulation.

10. Method 5 – Costs of production of the goods

The fifth Method is based on the costs of production of the goods. Usually, it can only be used where the importer and supplier are related.

You can try this Method before Method 4 if you wish.

The customs value is a built-up value. It is based on the sum of the following:

- the cost or value of materials and fabrication or other processing used in producing the imported goods including:
- the items detailed below if supplied by the buyer, directly or indirectly
 - materials, components, parts and similar items incorporated in the imported goods including price tags, kimball tags, labels
 - tools, dies, moulds and similar items used in producing the imported goods, for example, tooling charges - there are various ways of apportioning these charges
 - materials consumed in producing the imported goods, for example, abrasives, lubricants, catalysts, reagents etc which are used up in the manufacture of the goods but are not incorporated in them
 - engineering, development, artwork, design work and plans and sketches carried out outside Jersey and necessary for producing the imported goods - the cost of research and preliminary design sketches is not to be included

even if the work listed here - engineering, development, artwork, design work and plans and sketches carried out outside the Customs Union and necessary for producing the imported goods - the cost of research and preliminary design sketches is not to be included - is carried out in the Customs Union.

- containers and packing
- an amount for the producer's profit and general expense
- the cost of transport, insurance and loading or handling connected with delivering the goods to the Customs Union border

11. Method 6 – “Fall-back”

The final Method is the ‘fall-back’ Method. This method is to be used if none of the previous methods could be applied.

For this method you must arrive at the customs value by using reasonable means consistent with the World Trade Organisation (“WTO”) valuation principles.

You do this where possible by adapting Methods 1 to 5 flexibly to fit unusual circumstances.

For further details on other means of valuing imported goods see HMRC notice [Here](#).

Or contact, Customs and Immigration Service, Goods Control.

Tel: 01534 448000

Email: rgc@gov.je

Mark Cockerham
Agent of the Impôts
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