

## Problems and Solutions in Customs Valuation of Goods and Vehicles

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**Abstract:** This article examines the importance of customs value, its role in foreign trade, the experience of international countries in determining customs value, and also suggests ways to eliminate problems in practice.

**Keywords:** foreign trade, customs procedures, customs value, artificial intelligence, economic stability, international organization, World Trade Organization, World Customs Organization.

The customs service plays an important role in ensuring the stable development of the economy of the Republic of Uzbekistan, regulating foreign trade by the state, encouraging domestic producers and creating a favorable business environment for them. Proper implementation of the customs policy in foreign economic activity, support of foreign economic activity subjects, encouragement of enterprises producing import-substituting goods, creation of a favorable investment environment, increase of the level of competitiveness of export goods in world markets, as well as ensuring effective integration of our country's economy into the world economic system, state budget provides an opportunity to enrich the income section and ensure economic security.

By correctly determining the customs value of the goods imported and exported to the customs territory of the Republic of Uzbekistan, the state budget will receive the full amount of money, accelerate the integration of the state economy into the world economic system, and have a direct impact on the development of the economy.

Several scientists of the world have conducted their research on the nature and importance of customs value. For example, according to the Russian scientist, professor A.N. Kozyrin, "Customs value is a separate value of the goods determined by a third party between the seller and the buyer, that is, by the customs body."<sup>1</sup>

V. Belyashev defines the customs value as follows: "In practice, the customs value is the real value of the goods, which is actually paid for and has to be paid for the goods, with adjustments made based on certain additions and deductions, as well as the sole basis for the collection of customs payments."<sup>2</sup>

**Customs value** is the value of goods determined in accordance with the law and used for the purpose of calculating customs fees. The customs value shall be notified to the customs authority by the declarant in the manner and under the conditions specified in the legal documents (included in the declaration) during the customs clearance. It is indicated that the determination of the customs value should be based on correct and documented information.

The "Customs value structure" of goods imported into the customs territory can be described as follows:

**Product price** (*Production cost (raw materials, components)*);

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<sup>1</sup> Козырин А. Таможенная пошлина / Москва. 1998. С.299.

<sup>2</sup> Belyashov V.A. Таможенный энциклопедический справочник. В 2-х томах. / Под ред. I.Yu. Krasnyanskogo. Москва: Letopises, 1999. С.165.

**Consumed materials** (*electricity, etc.*); **Administrative expenses** (*monthly, tax, etc.*); **Equipment Depreciation, etc.**) + **Transportation and Insurance Costs** (*Shipping; Loading; Unloading; Reloading ...*) + **Other Expenses** (*Mediation Services; License Fees; Resale Revenue; etc.*)

Presently, there are 6 methods to determine the customs value of goods imported into the customs territory:

- ✓ The transaction value method
- ✓ The transaction value of identical goods
- ✓ The transaction value of similar goods
- ✓ The deductive method
- ✓ The computed method
- ✓ The fall-back method

#### *Definition of transaction value (method 1)*

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 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.

#### *Method 2 — Transaction value of identical goods*

The transaction value is calculated in the same manner on identical goods if the goods are:

- ✓ the same in all respects including physical characteristics, quality, and reputation;
- ✓ produced in the same country as the goods being valued;
- ✓ and produced by the producer of the goods being valued.

For this method to be used, the goods must be sold for export to the same country of importation as the goods being valued. The goods must also be exported at or about the same time as the goods being valued.

#### *Method 3 — Transaction value of similar goods*

The transaction value is calculated in the same manner on similar goods if:

- ✓ goods closely resembling the goods being valued in terms of component materials and characteristics
- ✓ goods which are capable of performing the same functions and are commercially interchangeable with the goods being valued
- ✓ goods which are produced in the same country as and by the producer of the goods being valued.

For this method to be used, the goods must be sold to the same country of importation as the goods being valued. The goods must be exported at or about the same time as the goods being valued.

#### *Method 4 — Deductive value*

Deduction of value from the price of the greatest aggregate quantity sold

The Agreement provides that when customs value cannot be determined on the basis of the transaction value of the imported goods or identical or similar goods, it will be determined on the basis of the unit price at which the imported goods or identical or similar goods are sold to an unrelated buyer in the

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greatest aggregate quantity in the country of importation. The buyer and the seller in the importing country must not be related and the sale must take place at or about the time of importation of the goods being valued. If no sale took place at or about the time of importation, it is permitted to use sales up to 90 days after importation of the goods being valued.

#### *Method 5 — Computed value*

*Definition: Production cost and profits and expenses*

Computed value, the most difficult and rarely used method, determines the customs value on the basis of the cost of production of the goods being valued, plus an amount for profit and general expenses usually reflected in sales from the country of exportation to the country of importation of goods of the same class or kind.

#### *Method 6 — Fall-back method*

*Definition*

Customs value determination based on “reasonable means consistent with the principles and general provisions of the Agreement, Article VII GATT and on the basis of available data”.

When the customs value cannot be determined under any of the previous methods, it may be determined using reasonable means consistent with the principles and general provisions of the Agreement and of Article VII of GATT, and on the basis of data available in the country of importation. To the greatest extent possible, this method should be based on previously determined values and methods with a reasonable degree of flexibility in their application.

Presently numerous difficulties arising in this sphere:

- a) The minimum requirement for using method 1 is that the goods must be imported in accordance with the foreign trade agreement. However, there are cases where there is no foreign trade agreement and the nature of the transaction and the nature of the goods transportation do not meet the requirements for the application of method 1, but the customs value is provided according to method 1.
- b) In accordance with the requirements of the Customs Code, the methods of determining the customs value are to be used sequentially, in which the use of each subsequent method is allowed, if the previous one cannot be used for determining the customs value. However, although the customs value of the imported goods complies with the minimum requirements for the application of method 1 (there is a sales contract and the IDN number of the contract is indicated in column C of the BYUD), the BYUD is submitted according to method 6.1 without using method 1. However, in these cases, the declarant submitted a BYUD with the indication of "there is no sales contract" and similar reasons in column 7 of the BQD-2 form (reasons for not using the previous methods).
- v) In accordance with Article 318 of the Customs Code, there are cases where the declaration of customs value is not filled out. Based on it, the transported goods must be exempted from customs duties, but there are also cases of submission of CCD without filling in CVD for goods that are not fully exempted from customs duties (in cases where customs duty must be paid).

We know that the main purpose of determining customs value is to calculate customs payments.

Today, the following types of duty rates are used in the Republic of Uzbekistan:

advalorem rates calculated as a percentage of the customs value of the goods subject to duty;

specific rates calculated for a unit of duty-charged goods;

mixed rates that include ad valorem and specific types of duty.

The customs payments charged at the ad valorem rate we know are directly related to the customs value. That is, the application of ad valorem tariffs uniformly protects the domestic market, and any fluctuations in the price of goods cannot change the budget revenues, that is, the increase or decrease in the price of goods cannot have any effect on the interest rate, but it also changes regularly with price changes.

The funds that should be transferred directly to the state budget remain closely dependent on the customs value, which is an urgent problem today. The entrepreneur uses all opportunities to avoid paying customs fees or to pay less, that is, he looks for various ways to reduce the customs value. **Bojxona qiymatiga** bog'liq bo'lmagan tovarlar birligi uchun belgilangan miqdorda hisoblanadigan xos stavkalar esa, buning ya'ni bojxona qiymatiga bog'liqlilik xususiyatini yoqotadi.

Based on the above, the following is proposed to solve the current problems in determining the customs value of goods and to further improve the mechanism in this area:

1. It is advisable to completely abandon ad valorem rates or to develop specific rates for each commodity if there are deficiencies or doubts in the process of determining the customs value. Dependence on the customs value will disappear, and there will be no reason for entrepreneurs to understate or overstate the customs value. (*Amendment of Decision No. 3818 on further regulation of foreign economic activity of the Republic of Uzbekistan and measures to improve the system of customs-tariff regulation.*)
1. Harmonization of national legislation on determining the customs value of goods with international legislation, as well as the adoption of a normative document on the application of Incoterms international delivery conditions in determining the customs value.

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