



THE CUSTOMS VALUE OF IMPORTED GOODS & ADVANCE VALUATION RULING for Facilitated and Transparent Clearance of Importation

The Customs Department Customs Standard Procedures and Valuation Bureau

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I Introduction

All goods imported into Thailand, other than certain specific exemptions, are subject to Customs Duty and other taxes imposed based on Customs Act B.E. 2469 (hereinafter referred to as "Customs Act"), Customs Tariff Decree B.E.2530 and other laws. A large portion of Customs Duty and various taxes, which the ad valorem rate is applied, are calculated based on Customs Value as a foundation and duty rate or tax rates. In Thailand, Customs Act and Ministerial Regulation No. 132 (B.E.2543) and Ministerial Regulation No.145 (B.E.2547) and No. 146 (B.E.2550) that amend Ministerial Regulation No. 132 (B.E.2543), and other relevant regulations are in effect for Customs Valuation. (In this booklet, above three Ministerial Regulations are referred to as "MR" with the number.)

As international trade in goods grows rapidly and the transaction becomes more complex both in terms of production and parties involving in supply chain, the Customs Valuation has also grown in importance in order to secure revenues with predicable and transparent manner. This booklet was compiled of beneficial information as a guide to the system of Customs Valuation and an introduction to the (prior to import) Advance Valuation Ruling service provided by Thai Customs for private sectors or those who are interested.

Please note that this booklet contains general information only. The legal texts summarized herein are arranged as narrative explanation and visualization. For details, please refer to relevant regulations and/ or consult the Customs Standard Procedures and Valuation Bureau (CSPVB) of the Customs Department.

II Method of Customs Valuation of Imported Goods

When filing import entry, the Customs Value is one of the most important items to declare, along with, amongst others, tariff rate, origin of goods, and quantity, in order to declare the amount of Customs Duty and other taxes. Article 3 of MRI 32 (B.E.2543) amended by MRI 45 (B.E.2547) that consistent with the WTO Valuation Agreement specifies the following 6 methods that are applied in sequence.

I. Transaction Value Method

The Transaction Value Method is the first and primary method for the Customs Valuation for imported goods that are sold for export to Thailand. Under this method, the Customs Value is the Price Actually Paid or Payable for the imported goods and the Adjustment under Article 8-16 of MRI 32 (B.E.2543) amended by MRI 45 (B.E.2547).

$$\boxed{\text{Transaction Value}} = \boxed{\text{Price Actually Paid or Payable}} + \boxed{\text{Adjustment}}$$

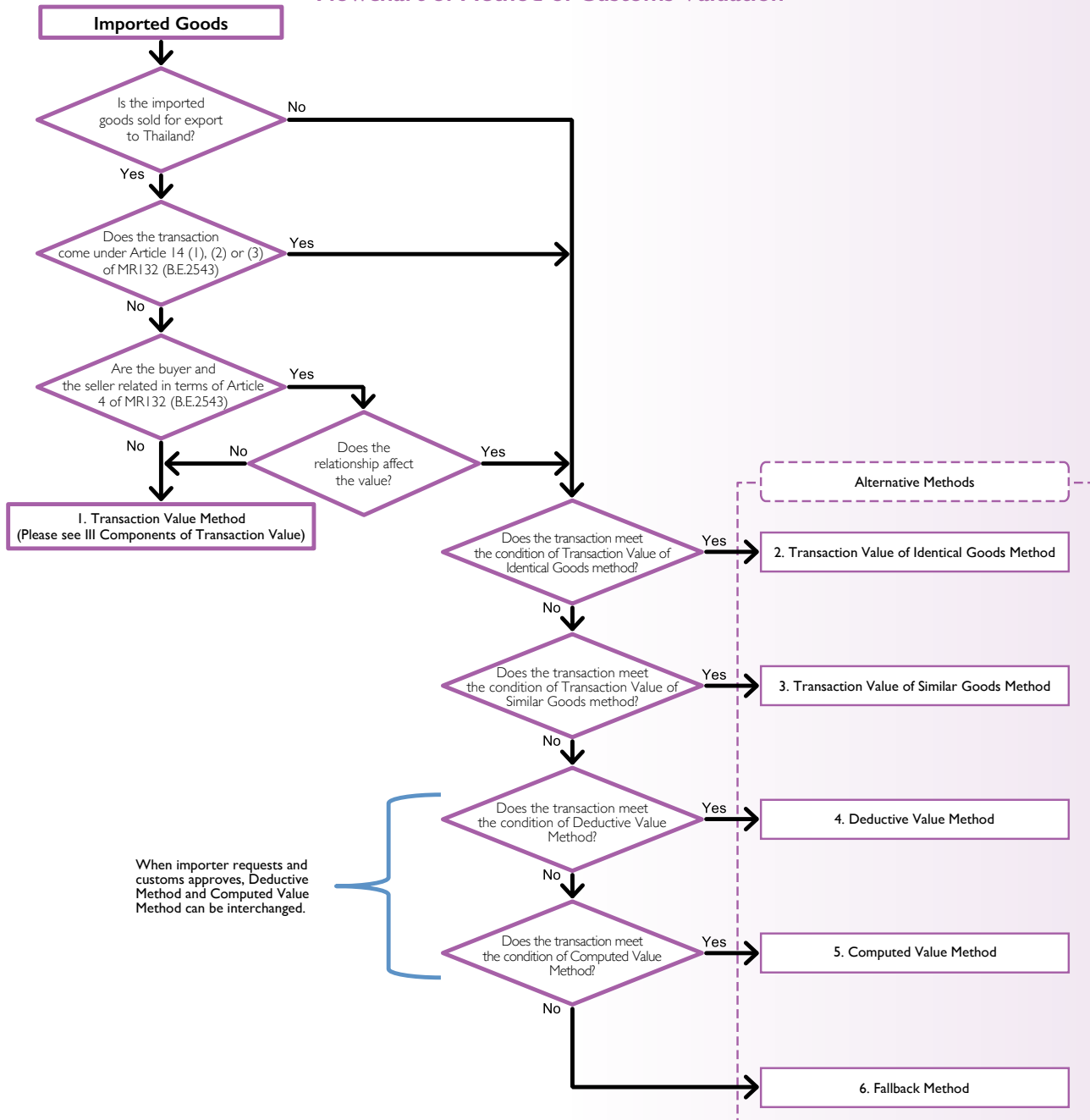
(For details of Transaction Value, please see Part III Components of the Transaction Value in this booklet.)

The Transaction Value Method cannot be used when the transaction does not involve sale for export of the imported goods or cannot meet any of the following provisions that limit use of this method. (Article 14 of MRI 32 (B.E.2543)) These provisions are:

- (1) there are no restrictions as to the disposition or use of the goods by the buyer except where Article 14 (1) (a), (b) and (c) of the MRI 32 (B.E.2543) applies;
- (2) the sale or price is not subject to some condition or consideration for which a value cannot be determined;
- (3) no part of the proceeds of any subsequent resale, disposal or use of the imported goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with Article 9 (2) of the MRI 32 (B.E.2543);
- (4) the buyer and the seller are not related in accordance with Article 4 of the MRI 32 (B.E.2543), or where the buyer and the seller are related, that the Transaction Value of the imported goods is acceptable for Customs purposes under the provisions of Article 15 or Article 16 of MRI 32 (B.E.2543).

As well as the above, the Transaction Value Method cannot be used in case; a declared Customs Value is in suspicious and is not clarified; the Customs officers have suspicion on the clarification of the declared Customs Value. In such cases the Customs Value of the imported goods shall be determined based on alternative methods in the sequential order of Method of Customs Valuation. Please see the Flowchart of Method of Customs Valuation in the next page

Flowchart of Method of Customs Valuation



2. Transaction Value of Identical Goods Method

If the Transaction Value Method cannot be applied, the Customs Value of the imported goods is determined with the Transaction Value of identical goods that meets following requirements under Article 17 -20 of MR132 (B.E.2543).

Identical Goods

It is "Identical" in all respects, to the imported goods being valued:

- ✓ physical characteristics,
- ✓ quality and reputation, and
- ✓ produced in the same country.

Requirements

Identical goods:

- are sold to export to the Kingdom at or the approximate time;
- have been accepted as the Customs Value;
- are at the same commercial level and quantity.
- If more than one Transaction Value of identical goods is found, the lowest such value shall be used.
- Identical Goods do not include the Transaction Value which includes the value of engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in the Kingdom.

Where identical goods are not available, proceed to the next method.

3. Transaction Value of Similar Goods Method

The Transaction Value of similar goods is covered to use Article 21-23 of MRI 32 (B.E.2543). When applying this method, the following is taken into account.

Similar Goods

It is not identical in all respects but, they:

- ✓ have like characteristics and like component materials;
- ✓ perform same functions and commercially interchangeable; and
- ✓ are produced in the same country.

Requirement

Similar goods:

- are sold to export to the Kingdom at or the approximate time as the imported goods;
- has been accepted as the Customs Value;
- are at the same commercial level and quantity.
- If more than one Transaction Value of similar goods is found, the lowest such value shall be used.
- Similar Goods do not include the Transaction Value, which includes the value of engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in the Kingdom.

Where there is nothing similar to the imported goods, move on the next method.

4. Deductive Value Method

If the above mentioned methods cannot be used, the Deductive Value Method under Article 24-27 of MRI 32 (B.E.2543) is considered. The Deductive Value starts from the resale price of the imported goods or identical goods or similar goods in Thailand and deducts the following elements. If the importer requests a reversal and Customs approves, the Computed Value Method comes first.

Condition

- Use the unit price of imported goods at which the goods are sold:
 - ✓ in the greatest aggregate quantity,
 - ✓ at or about the same time of importation
- If the unit price for resale of the imported goods is not available, the resale price of identical or similar goods shall be used.

Formula for Deductive Value

- Unit price for resale of the imported goods or identical or similar goods in the Kingdom
 - (-) Commission usually paid or the additions usually made for profit and general expenses
 - (-) Usual cost for transportation and insurance within the Kingdom
 - (-) Customs Duties and other taxes
-
- = Customs Value as Deductive Value

5. Computed Value Method

If the Deductive Value Method cannot be applied, the Computed Value Method under Article 28, 29 and 29 (1) of MRI 32 (B.E.2543) amended by MR 145 (B.E.2547) follows. For Computed Value, the following formula is applied.

Formula for Computed Value

- (+) The cost or value of materials and fabrication or other processing employed in producing the imported goods
 - (+) an amount for profit and general expenses usually reflected in sales of goods of the same class or kind as the goods being valued
 - (+) the cost of containers
 - (+) the cost of packing whether for labour or materials for the imported goods
 - (+) the cost of materials and components specified as the assist under Article 11 (1), (2) and (3) of MRI 32 (B.E. 2543).
 - (+) the cost of insurance and transportation of the imported goods
 - (+) engineering, development, artwork, design work, and plans and sketches undertaken in the Kingdom necessary for production of the imported goods where these elements are charged to the producers (if any)
-
- = Computed Value as Customs Value

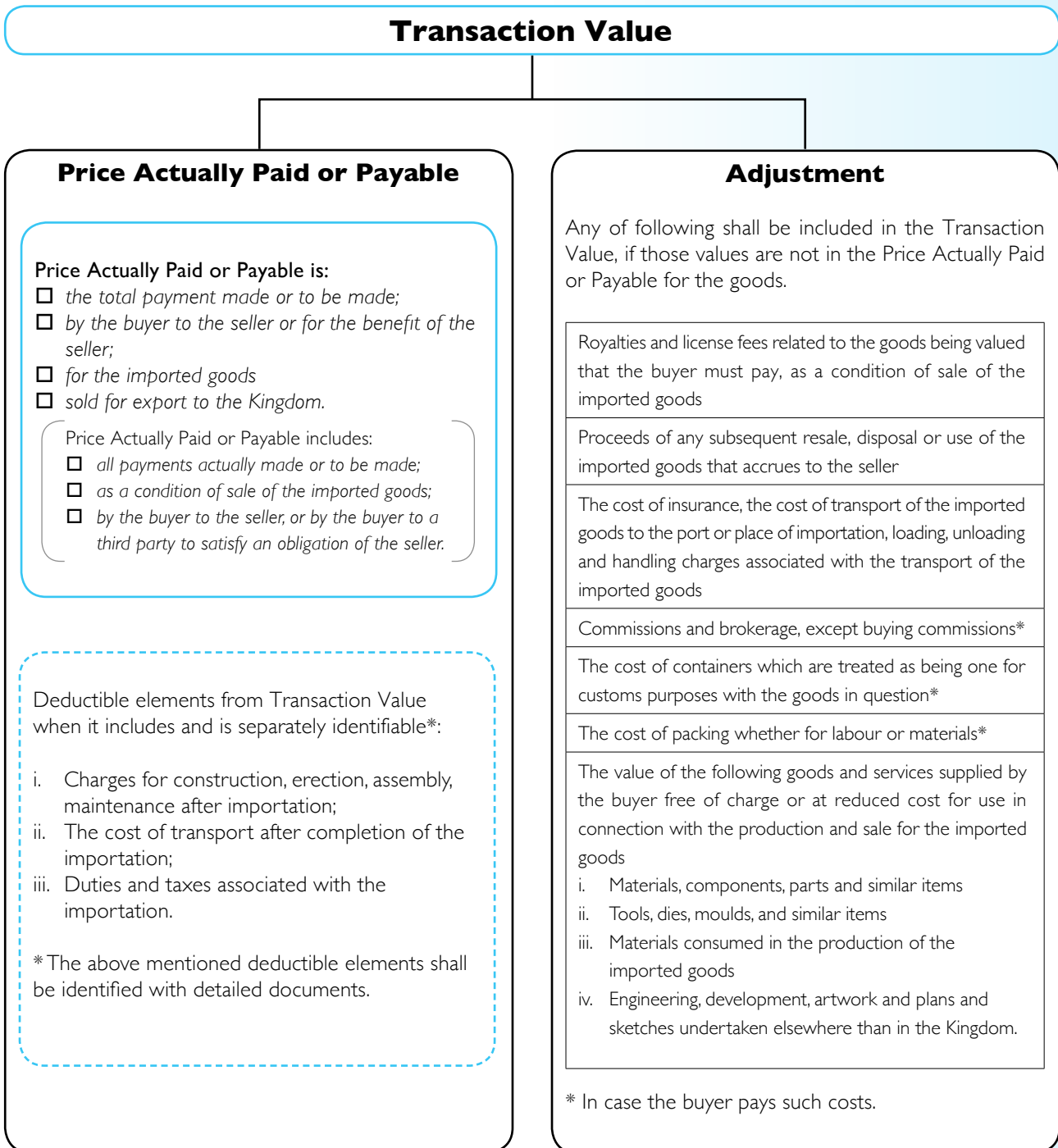
6. Fallback Method

If none of the preceding method is applicable, the Fallback Method under Article 30 and 31 of MRI 32 (B.E.2543) is used. Under this method, the preceding methods would be used with reasonable flexibility.

III Components of the Transaction Value

For goods arriving in Thailand from foreign countries, the Customs Value of the imported goods is normally determined based on the Transaction Value Method, except where the transactions are subject to situations that preclude it.

The Transaction Value of imported goods is determined based on the Price Actually Paid or Payable when sold for exportation to Thailand under Article 8 of MRI 32 (B.E.2543) amended by MRI 45 (B.E.2547), and the value of adjustment under Article 9-12 of the MRI 32 (B.E.2543). Please see the following diagram on the Transaction Value.



Before filing your entry and declare the Customs Value, it is recommended to check if your invoice fully indicates the Price Actually Paid or Payable and remind yourself if you have incurred any costs or made payment with regard to the Adjustment.

IV Frequently Asked Questions

Q1. Which imported goods are to be assessed for Customs Duty?

A1. Generally, imported goods are to be assessed for Customs Duty in accordance with Customs Act, relevant laws and regulations, except for imported goods either are stipulated not to be paid for the Customs Duty by laws or are exempted from Customs Duty.

Q2. How do we calculate the ad valorem Customs Duty?

A2. Customs Duty is calculated based on specific rate or ad valorem rate. As for the goods that the ad valorem rate is applied, we calculate it by multiplying Customs Value by tariff rate.

Q3. Other than Customs Duty, what kinds of taxes are imposed? (Are any other kinds of taxes to be imposed, other than Customs Duty?)

A3. Other than Customs Duty; Value Added Tax is imposed on imported goods. Goods such as cigarettes or liquors are subject to Excise Tax and other taxes.

Q4. What is Customs Value of imported goods?

A4. Customs Value is a value to levy ad valorem duties of Customs Duty on imported goods on the basis of CIF in accordance with Customs Act and MRI 32 (B.E.2543) amended by MRI 45 (B.E.2547) and MRI 46 (B.E.2450) and other relevant regulations.

Q5. How can Customs Value of the imported goods be determined?

A5. In order to determine Customs Value of imported goods, one of following methods will be used sequentially in accordance with Customs Act and MRI 32 (B.E.2543). However, Deductive Value Method and Computed Value Method can be alternated each other consequently when the importers request and the customs officers approve.

1. Transaction Value Method
2. Transaction Value of Identical Goods Method
3. Transaction Value of Similar Goods Method
4. Deductive Value Method
5. Computed Value Method
6. Fallback Method

Q6. What is the Transaction Value Method?

A6. The Transaction Value Method bases on the Price Actually Paid or Payable for the imported goods and Adjustments are made as appropriate for determining Customs Value of imported goods. (For details, please see III Components of the Transaction Value of this booklet.)

Q7. What is the Price Actually Paid or Payable?

A7. Article 8 of MRI 32 (B.E.2543) amended by MR 145 (B.E. 2547) stipulates that "price actually paid or payable for the imported goods when sold for export to the Kingdom". Paragraph 2 of Article 8 added by

MRI 45 (B.E.2547) further defines that "the price actually paid or payable includes all payments actually 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 the third party to satisfy an obligation of the seller".

Q8. When filing an entry, how do we ensure that the price shown in the invoice properly represent the Price Actually Paid or Payable?

A8. Please check if the invoice at your hand fully indicates a total amount of the Price Actually Paid or Payable for the imported goods that you are required to pay for the imported goods. Followings are examples.

1. If an invoice of the imported goods only indicates a balance because an advance payment for the imported goods was made, the Price Actually Paid or Payable for the imported goods shall be a sum of the advance payment and the balance.
2. If an invoice price does not include certain costs such as raw material of the imported goods since payment of such costs are separated from the invoice price and are made by the buyer to the seller or a supplier of the raw material as required by the seller, the Price Actually Paid or Payable shall include the said costs.
3. In cases the buyer receives a price reduction on a current importation as a means of settling a debt that the seller owes the buyer, the price before reduction shall be the Price Actually Paid or Payable and be used as a basis of the Customs Value.

Q9. When I declare a Customs Value based on Transaction Value Method, what elements should be added?

A9. Expenses that the buyer pays such as royalties, commissions, proceeds, freight, insurance and others those which are dutiable in accordance with MRI 32 (B.E.2543), shall be added to the Price Actually Paid or Payable to the extent that such expenses have not been included in the Price Actually Paid or Payable yet. (For details, please see III Components of the Transaction Value of this booklet.)

Q10. Where price of the goods is indicated in invoice, can I declare the price shown in the invoice as Customs Value applying the Transaction Value Method?

A10. Yes, you can if imported goods do not fall under following. (In cases where, the imported goods fall under following, Customs Value of the goods shall be determined by applying the Transaction Value of Identical Goods Method or subsequent method in sequence. (For details, please see 2 to 6 under I Method of Customs Valuation of Imported Goods of this booklet.))

1. There is no sale of the imported goods. E.g., free consignment, gift, leased goods, etc.
2. There is limitation and restriction as to disposition or of use of the goods except where Article 14 (1) (a), (b) and (c) of MRI 32 (B.E.2543) applies.

3. There is condition or consideration for which a value cannot be determined.
4. The proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, except that it could be adjusted in accordance with Article 9 (2) of the MR132 (B.E.2543).
5. The Buyer and the Seller of the goods are related and the transaction value of imported goods is influenced by such relationship.
6. A declared Customs Value is in suspicious and is not clarified; the Customs officers have suspicion on the clarification of the declared Customs Value.
7. There is fraudulence on the declared Transaction Values.

Q11. In case price of imported goods and/ or other costs are stated in foreign currency, how can I calculate the Customs Value of the imported goods?

A11. In Thailand, you shall indicate the Customs Value in Thai Baht on import entry. You shall use a currency conversion rate, which is issued by the Customs Department, for imported goods corresponding to the date of filing the entry. The Customs Department issues the currency conversion rates for imported goods through a Customs Notification and uploads on the website of the Customs Department. <http://www.customs.go.th>

Q12. If I would like to know about the treatment of valuation of imported goods prior to filing an import entry, how can I do?

A12. The Customs Department provides the Advance Valuation Ruling (AVR) service without any fees at the Customs Standard Procedures and Valuation Bureau (CSPVB), 12th floor, 120th Building. (For details, please see V Advance Valuation Ruling in this booklet)

Q13. What is the AVR?

A13. The AVR service is a service that CSPVB provides a written answer concerning the treatment of Customs Valuation of the goods to a requester who submitted a written request before importation of goods. Normally, CSPVB provides an Advance Valuation Ruling Answer Letter (Answer of AVR) stipulated in Customs Notification No. 67/2552 within 30 official days when a completed request form with adequate and correct information is submitted.

Q14. How can we utilize an Answer of AVR?

A14. CSPVB will issue an Answer of AVR. The person who received the Answer of AVR can submit it to the port of entry. If the fact of the goods imported is in line with the condition of the Answer of AVR, the entry process and the release of the goods relevant to the Customs Valuation shall be more facilitated and accurate.

Q15. Can I request the Customs Department to approve a price indicated in an invoice as a Customs Value?

A15. No, you cannot. Price of the goods is agreed between a buyer and a seller, the Customs Department cannot know exactly whether the price shown in an invoice is the intrinsic transaction value.

Q16. Do I have to submit a request of AVR at the Customs Department?

A16. Yes, you have to submit it at the CSPVB, the Customs Department.

Q17. When requesting AVR, what documents are required to submit?

A17. For requesting AVR, following documents should be submitted. The documents shall be completed, correct and adequate. When necessary, CSPVB will inquire details and/ or request to provide information additionally for further clarification of facts of the transaction.

- Request form of AVR (Form 1 of Customs Notification No.67/2552)
- Documents that demonstrate facts of the transaction with regard to the request, for example,
 - Sales Contract, Purchase order, etc.,
 - Invoice, Provisional Invoice, Debit Note, Credit Note, etc.,
 - Shipping documents including transportation, insurance, etc.,
 - Other agreement, contract and/or memorandum with regard to license, agency service, logistics service, etc., and,
 - Others as necessary.

Q18. Is it possible to submit a request of AVR if the imported goods come into the port but there are some problems related to Customs Value causing release of the goods from Customs custody or if the imported goods can be released from Customs custody but the importer still has some doubt something related to Customs Value?

A18. No, it is not. However, generally, you can inquire such cases to CSPVB by an inquiry letter.

Q19. If I have some questions on Customs Value, to which government section can I inquire?

A19. You can inquire to Customs officers at CSPVB, the Customs Care Center (Phone 1164), or Regional Customs Bureau or all Customs Houses.

Remark:

From 4 March 2015, Customs Notification No. 67/2552, which stipulates Advance Valuation Ruling (AVR) was replaced by a new Customs Notification No. 38/2558. When you need to refer to it or relevant forms, please visit the Customs website.

<http://www.customs.go.th>

V Advance Valuation Ruling

Advance Valuation Ruling (AVR) is a service where the Customs Department provides you with an answer in writing about the Customs Value of your forthcoming importation IN ADVANCE, upon your request.

I need to know the treatment of Customs Valuation in order to calculate the Customs Duty and other taxes before importation.



What should I do?



Process of AVR (Summary)

1. Submission of a Request form of AVR to ask particular issues with supporting documents such as sales contract, purchase order, invoice, license agreement, etc.

2. Examination and consultation to identify facts of transaction and check if the supporting documents are adequate and correct enable an answer to be given.

If supporting documents are inadequate or incorrect, or an applicant cannot answer queries from Customs, the Request may be cancelled.

30 official days

3. Issuance of an Answer of AVR.

You can apply the Answer of AVR to calculate Customs Value of the relevant entry.

AVR benefits a lot!!

Predictable Customs Duty

Accurate Customs Duty

More facilitated and transparent process on Customs Value

We welcome your queries and requests of AVR!!

For more details: Please visit our website.

<http://www.customs.go.th>

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