

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Customs Valuation

## TREATMENT OF INTEREST FOR DEFERRED PAYMENT

### Report by the Technical Committee on Customs Valuation on National Practices

At the meeting of 4-5 May 1982, the Committee on Customs Valuation decided to request the Technical Committee to ascertain what the present national practices of the Parties were with regard to the treatment of interest charges in the customs value of imported goods (VAL/M/4, paragraph 46).

At the meeting of 20-24 September 1982, the Technical Committee examined the issue. The report of the Technical Committee, which was received through the secretariat of the Customs Co-operation Council, is attached to this note.

REPORT

BY THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION  
ON THE PRACTICES FOLLOWED WITH RESPECT TO THE TREATMENT  
OF INTEREST FOR DEFERRED PAYMENT

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INTRODUCTION

1. At a meeting held in Geneva on 4 and 5 May 1982, the Committee on Customs Valuation took under consideration a proposal for an amendment to the Customs Valuation Agreement with respect to the treatment of interest charges. As part of this consideration the Technical Committee on Customs Valuation was requested to ascertain and report on the national practices employed by Signatories in this area.
2. In accordance with this request the Secretariat of the Customs Co-operation Council circulated Doc. 28.826 requesting administrations which had already implemented the Agreement to supply the Secretariat with details as to their practice with respect to interest charges incurred on imported goods.
3. Replies from Signatories not yet applying the provisions of the Agreement were also invited.
4. In that document, five specific situations involving interest for deferred payment were set out.
5. At its Fourth Session in Brussels from 20 to 24 September 1982, the Technical Committee reviewed and approved the following Report and analysis of the replies received from nine (Austria, the European Economic Community, Finland, Japan, New Zealand, Norway, Sweden, the United States and Yugoslavia) of the eleven Signatories which have implemented the Agreement, one non-Signatory which has implemented (Australia) and one non-Signatory which intends to implement next year (South Africa). Chile also replied to the Questionnaire but since its replies were based on legislation consonant with the BDV, they are not relevant to the study in hand.
6. To facilitate examination the Report has been divided into three parts, namely :
  - I. General comments;
  - II. Summary of replies to each of the examples;
  - III. Conclusions.

I. General comments

7. Australia considers interest for deferred payment a charge for financial accommodation and consequently not part of the price of the goods.
8. Austria is of the opinion that interest charges paid to the seller until expiration of terms of payment - independent of the form of the invoice - are part of the price paid or payable and thus of Customs value.
9. The European Economic Community's practice regarding the treatment of interest for deferred payment is based on two criteria, namely whether the interest charge is distinguished from the price actually paid or payable and whether it is payable under a financing arrangement. The Community's answers regarding the examples given are on the basis that these criteria are met.
10. Japanese legislation specifically excludes interest for deferred payment, where the import transaction is subject to deferred payment and provided that such interest can be distinguished from the price actually paid or payable for the goods.
11. The Norwegian Customs Administration does not include interest for deferred payment in the Customs value.

II. Summary of replies to each of the examplesCase A

The goods are sold and invoiced at 100,000 currency units. The importer finances the purchase through a financial institution unrelated to the seller with repayment in three months at 2 percent per month. The financial institution pays the seller 100,000 currency units and the buyer repays the financial institution 106,000 currency units in three months.

12. All of the administrations which replied (Australia, Austria, the European Economic Community, Finland, Japan, New Zealand, Norway, Sweden, the United States and Yugoslavia) would value the goods at 100,000 currency units.

Case B

The goods are sold at 100,000 currency units with terms of payment in three months subject to a 2 percent per month interest charge. The goods are invoiced :

Goods

Payable in 3 months	106,000 c.u.
	=====

13. Six of the administrations which replied (Australia, EEC, Japan, New Zealand, Norway and Yugoslavia) would value the goods at 100,000 currency units.
14. However, the Australian Administration would require evidence substantiating the interest and Japan would exclude the interest charge only if, by reference to the contract, etc. that amount could be ascertained.
15. Four administrations (Austria, Finland, Sweden and the United States) would value the goods at 106,000 currency units.
16. The Finnish Administration would value the goods at 106,000 currency units if no evidence were presented that the interest charge was included therein : however, if such evidence were presented the value would be taken as 100,000 currency units.

Case C

Given the same circumstances as in B, the goods are invoiced :

Goods	100,000 c.u.
Interest 6 %	<u>6,000 c.u</u>
	106,000 c.u.
	=====

17. Eight Administrations (Australia, EEC, Finland, Japan, New Zealand, Norway, Sweden and Yugoslavia) would value the goods at 100,000 currency units.
18. Two Administrations (Austria and the United States) would value the goods at 106,000 currency units.

Case D

Given the same circumstances as in B, the goods are invoiced :

Goods 100,000 c.u.

Interest for payment  
in 3 months : 6 %

19. Eight Administrations (Australia, EEC, Finland, Japan, New Zealand, Norway, Sweden and Yugoslavia) would value the goods at 100,000 currency units.
20. Two Administrations (Austria and the United States) would value the goods at 106,000 currency units.
21. Japan noted that in this case it was not clear whether the interest charge was included in the invoice price or not. If included, the treatment of the interest charge would depend on whether, by reference to the contract, etc., its amount could be ascertained.

Case E

The goods are sold and invoiced at 100,000 currency units. The importer receives a separate statement at the end of each month which reflects all purchases made during the month, any unpaid balances from previous months and a 2 percent interest charge on the average daily balance.

22. All of the administrations which replied (Australia, Austria, EEC, Finland, Japan, New Zealand, Norway, Sweden, the United States and Yugoslavia) would value the goods at 100,000 currency units.

Other comments

23. South Africa offered its comments although not a Signatory because it intends to accede to the Agreement and implement its provisions with effect from 1 July 1983. In Cases A, C, D and E, South Africa would value the goods at 100,000 currency units. In Case B, it would value the goods at 106,000 currency units.

### III. Conclusions

24. On the basis of the foregoing responses it can be said that there is no overall uniformity in the treatment of interest for deferred payment by those administrations applying the Agreement. Some Administrations (Australia, New Zealand, Norway and Yugoslavia) would, as a general rule, exclude interest from the Customs value. The remaining Administrations (Austria, the European Community, Finland, Japan, Sweden and the United States) would base their decision in each individual case on whether the interest had been determined to be part of the price paid or payable or whether the interest can be distinguished.
25. However, there is a greater degree of uniformity within the specific situations set forth in the foregoing. For example, in the circumstances set out in both Cases A and E, all the Signatories indicated that the interest would not be included in the Customs value. In Cases C and D the incidence of inclusion is slightly increased while the circumstances in Case B represent the widest divergence of practices.