



23 October 2019

(19-6954)

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Committee on Customs Valuation

Original: English

**NOTIFICATIONS UNDER ARTICLE 22 OF THE CUSTOMS  
VALUATION AGREEMENT**

CHINA

*Replies from China to Questions from the United States  
contained in document G/VAL/W/332*

The following submission, dated 21 October 2019, is being circulated at the request of the delegation of China.

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**Question**

**We thank China for its replies to Question 3. Could China please clarify where Interpretative Note to Article 1, Paragraph 2(a) is implemented in China's customs law? That Note provides that the circumstances of sale should not be examined in every case, and the transaction value shall be accepted provided that the relationship between the buyer and seller did not influence the price. Article 14 of the WTO Customs Valuation Agreement (CVA) states that the Interpretative Notes at Annex I, as well as Annexes II and III, form an integral part of the CVA, and that the articles of the CVA are to be read and applied in conjunction with their respective notes.**

Answer:

China would like to thank the United States for its concerns about our Customs valuation rules - Decree No. 213. Regarding the follow-up question posed by the United States, we wish to provide our replies as follows.

The principles contained in Paragraph 2(a) of the Interpretative Note to Article 1, the circumstances of sale should not be examined in every case and the transaction value shall be accepted provided that the relationship between the buyer and seller did not influence the price, are reflected in Articles 44, 17 and 18 of Decree No. 213.

Article 44 of Decree No. 213 provides that "Where the Customs has doubts about the truth or accuracy of the value declared by the duty payer, or considers the relationship between the buyer and seller did influence the price, Customs shall issue Notice to Query Declared Value by Customs of People's Republic of China (hereinafter referred as Notice to Query Declared Value; see Annex II of the said Rules) and notify the duty payer or his agent of the grounds for doubts in written form. The duty payer or his agent shall, within five working days from the date of receipt of Notice to Query Declared Value, provide related documents or other evidence in writing that could demonstrate the truth or accuracy of the declared value or the declared value not being influenced by the relationship between the buyer and seller."

Therefore, not every case regarding related party transactions is examined for valuation purposes in China. Such examination will be conducted only when Customs has reasons to doubt that the relationship between the buyer and seller influenced the price. In that case, a query process will be initiated and the importer is required to provide related documents or other evidence for Customs examination.

When examining related party transactions, China Customs will first apply Article 17 which provides for the use of test values and conduct price comparison in this regard. If the importer can demonstrate that the transaction value closely approximates to the one of the test values as set out in Article 17, it would be deemed that no influence exist and the value is acceptable for Customs valuation purposes.

If the importer cannot provide any test value, Customs will then consider the examination of circumstances surrounding the sale as specified in Article 18. Based on examination, the transaction value shall be accepted provided that the relationship between the buyer and seller did not influence the price.

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