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AUSTRALIAN CUSTOMS AND BORDER PROTECTION NOTICE NO. 2013/16

Amendment to the production assist costs provisions of the Customs Act 1901

The production assist costs provisions, i.e. the definitions of ‘purchaser’s material costs’, ‘purchaser’s subsidiary costs’, ‘purchaser’s tooling costs’ and ‘purchaser’s work costs’ in section 154(1) of the *Customs Act 1901* (the Customs Act) have been amended to ensure that the legislation is consistent with the World Trade Organization (WTO) Valuation Agreement.

The above amendments were included in the *Customs Amendment (Miscellaneous Measures) Act 2012* and commenced on 31 March 2013.

The policy intent underlying the changes to these definitions is to correctly reflect Article 8(1)(b)(i)-(iv) of the WTO Valuation Agreement. Article 8(1)(b)(i)-(iv) require the customs value of imported goods to include the value, apportioned as appropriate, of the materials, design work, parts or tools where supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods.

The previous definitions of ‘purchaser’s material costs’, ‘purchaser’s subsidiary costs’, ‘purchaser’s tooling costs’ and ‘purchaser’s work costs’ in section 154(1) of the Customs Act required the actual cost of acquisition of the material to be included in the customs value of the imported goods. In circumstances where the materials, parts or tools were provided free of charge by the buyer to the seller in the import sales transaction and such material was acquired free of charge or at reduced cost by the buyer, the cost of acquisition was treated as zero.

This is contrary to the intention of Article 8(1)(b)(i)-(iv) which is to attribute a reasonable value to the material supplied directly or indirectly by the buyer for use in the production of imported goods and to include that value in the customs value despite the fact that the buyer acquired the material from a third party at zero cost or reduced cost.

Inquiries concerning this notice may be directed to Manager Trade Facilitation Agreements on telephone number (02) 6275 5821.

[Signed]

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3 April 2013

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