

E. Valuation of selected categories of imported and exported goods

14.29. Provided below is additional guidance on the valuation of selected categories of goods, designed to assist countries in setting up the appropriate valuation procedures and to ensure better international comparability. The present section relates to paragraph 5.14 of IMTS 2010, which provides information regarding some additional categories of goods and to paragraph 4.16, on the valuation of transactions without valuation.

14.30. *Media, whether or not recorded.* According to IMTS 2010 (paras. 1.18 and 4.15 (b)), media, whether or not recorded, should be valued at their full transaction value (and not at the value of unrecorded media such as empty diskettes, blank CD-ROMs, DVDs, paper, etc.). Compilers should be aware that the transaction value might fully or partially include the value of certain services. In this connection, media carrying customized software or software written for a specific client or originals of any nature, if identified, are to be excluded. Details on how the transaction value is established and how the value of the software is identified and excluded should be provided in the metadata. If a significant value of customized software or software written for a specific client or originals is suspected to have been included, it is good practice to contact the declarant and ask about the details of the product content. It should be noted that the licence agreements on the usage of software (e.g., on subsequent purchase of additional usage rights) that are not directly connected with a transfer of relevant media are not relevant for the valuation of media.

Box XIV.2

Experience of Eurostat in distinguishing customized and regular software

Licences to use non-customized software downloaded or otherwise electronically delivered, whether with a periodic licence fee or a single payment, should be included in computer services (see *Manual on Statistics of International Trade in Services 2010*^a (MSITS2010), para. 3.225, as well as para. 3.257 on *mass-produced audiovisual products*). In contrast, non-customized software products on storage devices, and with licences that convey perpetual use, are to be included in general merchandise trade statistics.

In case of cross-border acquisition of tailor-made software, the transactions should of course be included in services. In the case where the software will be used for more than one year, the company records it in the balance sheets as an asset (and not under profit and loss). The full amount of the cross-border payment as an import will be recorded at the moment when the software changes ownership.

^a United Nations publication, Sales No. E.10.XVII.14.

Box XIV.3

Experience of Italy in distinguishing customized and regular software

The correct classification and measurement of trade in goods are highly problematic when the momentary value of a good incorporates a significant share of remuneration for services provided together with the good. Besides the well-known case of software products, there are some other remarkable examples where the possibility of making a clear-cut distinction between goods and services becomes more and more remote, as when machine tools incorporate services for their installation as well as technical assistance on demand.

A concrete example of a goods transaction containing a relevant services component is provided by Italy. A company in that country imported ground flying trainers consisting of a simulator and its related software. The software was declared together with the simulator to constitute a single good with a remarkably high unit value, which, usually, would indicate a possible outlier. The correct classification and measurement of this trade transaction were possible on the basis of the following additional information:

- The commercial invoice sent by the company, upon a request for clarification, which contained a detailed description of the two products (simulators and software) and their specific value
- Confirmation by the company that the software was not standardized but rather customized for the specific use of the simulator

As a result, the transaction was recorded as two distinct flows: "Ground flying trainers and parts thereof, n.e.s."^a (excluding air combat simulators and parts thereof)" (HS 2007 code 880529); and the software developed to use those simulators (HS 2007 code 852340). The commercial invoice, the transport documents and the direct contact with the respondent were highly useful in enabling a decision to be made on this kind of transaction and the correct statistical value of the good to be measured.

^a Not elsewhere specified.

14.31. *Electricity, gas, oil and water.* According to IMTS 2010 (paras. 1.24 and 4.15 (c)), electricity, gas, oil and water should be valued net of any delivery charges not included according to FOB- or CIF type valuation. IMTS 2010 recommends that, in the absence of adequate customs records: (a) the transaction value of these goods should be obtained directly from the buyer and seller, (b) if only the overall value inclusive delivery charges is available, such charges should be identified (e.g., using other sources of information and estimation) and subtracted to obtain the statistical value of these goods, (c) delivery charges should be valued at market prices, if possible, and (d) trading partners in such transactions should value and record these flows in a uniform way to improve international comparability. The estimations of the value can be based on historical data, information from traders, stock markets, spot prices or small surveys of price statistics (see also chap. XXII for more details regarding the recording of trade transactions in electricity, gas, oil and water).

14.32. *Goods for processing with or without change of ownership.* According to IMTS 2010 (paras. 1.19-1.21 and 4.15 (e)), if the transaction value of goods for processing entering or leaving the compiling country without change of ownership is not available, the trade compilers should apply the appropriate methods contained in the WTO Agreement on Customs Valuation in order to derive their statistical value. Goods for processing should always be valued at their full (gross) value. The full value of the goods in their unprocessed state must be reported for transactions involving goods sent for processing. They may be based on a qualified estimation in cases where the invoice does not show this amount. Regarding transactions following processing, the full transaction value of the processed goods must be reported. The transaction value should include the value initially reported for the unprocessed goods plus the processing costs.

14.33. *Goods that cross borders as a result of transactions between related parties.* The proper statistical valuation of goods that cross borders as a result of transactions between related parties (see IMTS 2010, para. 1.22) is a challenge, as the use of transfer pricing in intra-firm trade is a quite widespread practice especially in cases where there is no legal obligation for traders to comply with the provisions of the WTO Agreement on Customs Valuation. In these cases, the invoice may not reflect the true market value. The existence of a problem may be indicated by the low unit values as compared with the unit values for identical or similar goods in transactions between non-related parties. In cases of economic significance, it is good practice to replace the transfer prices of such goods by their estimated statistical value following the methods provided in the WTO Agreement, i.e., based on the value that would have been realized in the event of a purchase or sale under normal market conditions. This type of estimation should also be adequately reflected in the metadata (see chap. XXI for more details on the trade between related parties).

14.34. *Returned goods.* According to IMTS 2010 (paras. 1.23 and 4.15 (f)), if identifiable, returned goods are to be valued as at the initial transaction. When the returned goods are broken or defective, the value reported should be the value of the original sale or purchase of the goods. Returned goods are a special case of re-imports and re-exports and only in this special case does the valuation at the initial transaction value apply. In all other cases, reimports and re-exports should be valued as any other good, based on their transaction value.

14.35. *Transactions without valuation: the case of humanitarian aid in goods.* According to IMTS 2010 (paras. 1.14 and 4.16), important transactions relating to humanitarian aid in high-value goods (e.g., medicines) should be recorded in international merchandise trade statistics in full commodity and partner detail. However, if recording full commodity and partner detail for humanitarian aid transactions represents a disproportionate effort, the inclusion in the total of exports or imports without such detail is deemed appropriate. In the United States of America, for example, exports of international aid in goods are usually classified under four commodity codes in Chapter 98. They are food products, medicinal and pharmaceutical products, wearing apparel, and donated articles not elsewhere specified. It is required that the value of these goods be reported at their market value. If that value is not known, then filers are to report an estimate of how much they would receive if they sold the goods. They are advised that the value should be consistent with respect to the goods being exported.

14.36. *Waste and scrap.* The transaction value of waste and scrap should be assessed as the full payment by the importing country to the country of exportation, less payment by the exporting country to the country of importation, for the services related to the disposal of waste and scrap, if any. If the net payment of the importing country is zero or negative, that waste and scrap should be excluded from the merchandise trade statistics of both countries, but separately recorded, using appropriate quantity units.