

**The general answers to questions for the methods to calculate the
Customs value of imported goods and due attentions
in relation to such methods. (Oct. 2023)**

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**The general answers to questions for the methods to calculate the
Customs value of imported goods and due attentions
in relation to such methods.**

1. What kind of method shall be used for the calculation of the Customs value of the imported goods?

(Q1-1) In general, what kind of method shall be used for the calculation of the Customs value of the imported goods?

A: In principle, the calculation of the Customs value of the imported goods shall be based on “method of the transaction value of the imported goods” under paragraph 1 of Article 4 of the Customs Tariff Law (Hereinafter the name of the Law is omitted, unless otherwise described specifically).

In case that “the method of the transaction value of the imported goods (Primary method)” cannot be applied, the following methods (Alternative methods) will be applied in sequential order.

- “the Identical or Similar goods value method” (Article 4-2)
- “the Deductive value method ” (Paragraph 1, Article 4-3)
- “the Computed value method “ (Paragraph 2, Article 4-3)
- “the Fall-back value method“ (Article 4-4)

(Q1-2) What is the method of the transaction value of the imported goods (Primary method)?

A: The method of the transaction value of the imported goods (Primary method) is to calculate the Customs value based on the value of the import transaction. “The value of the import transaction” is that, when the import transaction of the imported goods has been made, the price actually paid or payable in relation to the import transaction by the buyer to or for the benefit of the seller for the imported goods (the price actually paid or payable) and adjusted to take into account certain additional costs such as transportation costs, to the extent that such costs have not been included in the price actually paid or payable for the imported goods.

In case of calculating the Customs value based on the transaction value, the calculation of the customs value should be based on invoice and other documents which are able to verify the price actually paid or payable of the imported goods and to be adjusted certain additional costs such as the transportation costs.

(Q1-3) What is the import transaction?

A: The import transaction is that a person or company located in Japan as a buyer, for the purpose of the goods bring into Japan, has made a sales contract with a seller and such sale (import transaction) has actually been made the goods bring into Japan. In general, a sale actually brings the goods for import into Japan is to subject such sale.

(Q1-4) What is the price actually paid or payable?

A: The price actually paid or payable is the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods. It includes a settlement by the buyer whether in whole or in part, of a debt owed by the seller and other indirect payment for the seller by the buyer.

In principle, the price actually paid or payable shall not include the following charges or costs, provided that they are distinguished from the price actually paid or payable for the imported goods:

- 1) Charges for construction, erection, assembly, maintenance or technical assistance undertaken after importation of the imported goods;
- 2) Transportation costs after importation;
- 3) Duties and taxes imposed on the imported goods in Japan.

However, if the price actually paid or payable will not be able to be grasped by the whole amount including the above costs, then it shall be the total amount including such costs.

(Q1-5) What is a case which is not able to calculate the Customs value of the imported goods based on the Primary method?

A: The Primary method cannot be applied in following cases: the goods are imported without the import transaction; there are special circumstances such as conditions or considerations on the import transaction; or there are any un-resolved doubts for the Customs value of the imported goods.

(Q1-6) What kind of goods are considered as imported not by the import transaction?

A: For example, the following goods are considered as imported without the import transaction:

- Free consignments (Examples: gifts, samples, promotional items);
- Goods imported on consignment (Examples: goods imported by an assignee for sale by auction which is held in Japan, goods imported for sale by auction which is

held in Customs bonded area and there is no sale between an exporter and an importer for the goods);

- Goods imported under a hire or leasing contract;
- Goods imported by branches which are not separate legal entities;
- Goods imported by a person or a company who does not have its domicile, residence, headquarters, branch, office, or place of business or equivalent establishment in Japan (hereinafter referred to as “non-resident”) as a buyer by sale and arrived at Japan;
- Goods imported by a non-resident in order to sell in Japan after importation (Example: Goods imported by non-resident and declared by using Customs manager system under Article 95 of Customs Law for sale through e-commerce website which is run by a resident of Japan after importation (hereinafter referred to as “e-commerce website”).

Concerning the importation by the non-resident, please kindly refer to the questions in section 6 for more detail.

(Q1-7) In order to confirm the existence of import transaction, what kind of documents or materials should be judged of?

A: A sales contract, invoice and other documents or materials which are able to verify the facts of the transaction (for examples, purchase order, correspondences of the transaction, relevant evidences of the sales price and resold information, etc.), can be sources for the confirmation of the existence of import transaction. Please kindly note that such materials shall be based on objective and quantifiable data and cannot be used if the Customs has reasons to doubt the truth and accuracy of any statement on the materials presented for Customs purposes.

2. The Identical or Similar goods value method (Article 4-2)

(Q2-1) In which case, the Identical or Similar goods value method (Article 4-2) can be applied?

A: In case that the Customs value cannot be determined by using the method of the transaction value of the import goods (Primary method), and if the transaction value of the Identical or Similar goods is able to confirm, then it is possible to use such transaction value for the Customs valuation of the imported goods.

For example, the Customs value of a free consignment which is imported as alternative of previously imported inferior goods shall be determined based on the transaction value of the previously imported goods if the imported goods was imported based on the sales and regarded as import transaction, exported on the same day or

within or in a month of the free consignment goods and produced in the same country of the free consignment goods.

In case that the transaction value of the Identical or Similar goods cannot be identified, the provisions of alternative methods under Article 4-3 or 4-4 shall be used for the calculation of the Customs value.

3. The Deductive value method (Paragraph 1, Article 4-3)

(Q3-1) In which case, the Deductive value method (Paragraph 1, Article 4-3) can be applied?

A: In case that the Customs value cannot be determined by using the Primary method or the Identical or Similar goods value method, then the Deductive value method can be used for Customs valuation purpose.

In case of using “the Deductive value method” for Customs valuation purpose, the Customs value shall be the price deducting certain expenses from the domestic selling price which is at the first commercial level after importation in Japan of the imported goods or identical or similar goods (which should be limited produced in the same country of the imported goods), at or within certain period of import declaration day, to a person/company as a seller in Japan who is not related to the buyer in Japan.

(Q3-2) What kind of expenses shall be deducted from the domestic selling price?

A: In case of using “the Deductive value method”, the following expenses shall be deducted from the domestic selling price:

- either the commissions usually paid or the additions usually made for profit and general expenses in connection with sales in Japan of imported goods of the same class or kind;
- the usual transportation and insurance costs and associated expenses incurred within Japan;
- the Customs duties and other taxes imposed on the imported goods in Japan.

(Q3-3) What kind of price can be used as the domestic selling price under this method?

A: The domestic selling price to be used shall be satisfied the following conditions:

- the domestic selling price which is sold on the earliest day either before/after one month of the import declaration day or within 90 days from the import declaration day;
- the sale which was done by a seller in Japan and a buyer in Japan who has no special relationship;

- the sale which is at the first commercial level after importation in Japan;
- the domestic selling price of the identical or similar goods which was produced in the same country of the imported goods.

(Q3-4) In case that the domestic selling price is unknown at the time of the import declaration, how should the import declaration be made?

A: In case that the domestic selling price is unknown due to the import goods or identical or similar goods has not been sold yet, the withdrawal system of the goods before an import permission under Article 73 of the Customs Law, (hereinafter referred to as “BP system”) can be used. In case of using this system, the Customs value of the goods withdrew into Japan should be calculated on the sales record of selling the imported goods or identical or similar goods, then the Customs value should be confirmed under Article 7-16 of the Customs Law (hereinafter referred to as “IBP”) .

(Q3-5) What kind of case can be considered under the Deductive value method (Paragraph 1, Article 4-3) cannot be used?

A: In case that the domestic selling price under which Q3-3 conditions are fulfilled cannot be confirmed, then the Deductive value method cannot be used.

For example, if domestic selling price does not exist at the time of IBP of the imported goods which is withdrawn into Japan by applying BP system or has not been fixed for a long period, it would be difficult to apply for the Deductive value method.

(Q3-6) Is it possible to use a tentative selling price or a quoting price as a domestic selling price under the Deductive value method?

A: The domestic selling price under Paragraph 1, Article 4-3 shall be the domestic selling price which is sold on the earliest day either before/after one month of the import declaration day or within 90 days, such domestic sale done by a buyer and a seller in Japan who has no special relationship, at the first commercial level of the imported goods or identical or similar goods. Therefore, it is necessary to use an actual selling price, such tentative selling price or quoting price cannot be used as the domestic selling price under Paragraph 1, Article 4-3.

4. The Computed value method (Paragraph 2, Article 4-3)

(Q4-1) What is the Computed value method all about?

A: “The Computed value method” is to calculate the Customs value based on the cost of producing of the imported goods by adding followings: an amount for profit and general

expenses equal to that usually reflected in sales of goods of the same class or kind as the imported goods being valued which are made by producers in the country of exportation for export to Japan; transportation costs, and other associated expenses to a port of importation.

(Q4-2) In which case the Computed value method can be applied?

A: In case that the Customs value cannot be determined by using the Primary method, the Identical or Similar goods value method or the Deductive value method, then the Computed value method shall be used for the Customs valuation purpose. If the importer requested, it is possible to apply for the Computed value method prior to the Deductive value method.

Please kindly note that “the Computed value method” is to be applied only the case of that the imported goods arrive at Japan based on the transaction between the importer (who is located in Japan) and the manufacturer of the imported goods.

Therefore, it is not possible to apply for the case, for examples, non-resident purchases the goods from the manufacturer or transaction has been occurred between the non-residents.

(Q4-3) What kind of materials should be confirmed for the cost of producing?

A: The cost of producing, profit and general expenses to be used for “the Computed value method” shall be calculated based on the materials (in principle, commercial accounting books of the manufacturer of the imported goods) submitted by the manufacturer or submitted for the manufacturer.

5. The Fall-back method (Article 4-4)

(Q5-1) What is the Fall-back method all about?

A: The Fall-back method is stipulated under Article 1-12 of the Cabinet Order for Enforcement of Customs Tariff Law and there are following two specific methods.

- a) The price calculated with a reasonable adjustment of Articles 4 to 4-3 (Paragraph 1, Article 1-12, Cabinet Order for Enforcement of Customs Tariff Law)
- b) In case that a) is not applicable, the price calculated based on a method set by the Director-General of the Customs, which is complied with Article VII of the General Agreement on Tariffs and Trade 1994 and Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (WTO Valuation Agreement) (Paragraph 2, Article 1-12 of the Cabinet Order for the Enforcement of Customs Tariff Law).

(Q5-2) What is the “reasonable adjustment” of Articles 4 to 4-3?

A: In case that the basic conditions are not satisfied of the Primary method, the Identical or Similar value method, the Deductive value method or the Computed value method, Customs value should be determined by using reasonable adjustment to such unsatisfied conditions. The sequential order of Articles 4 to 4-3 shall also be applied and determine the Customs value.

For example, if the domestic sale had been made on 120 days after the import declaration, not within 90 days, and there is no other satisfactory domestic selling price, the domestic selling price of the 120 days can be used to calculate the Customs value.

(Q5-3) What is the method set by the Director-General of the Customs?

A: It is a method based on the materials which is obtainable in Japan and is considered as reasonable. Such evidence can be included submission by the importer but it should be excluded if there is any doubt for the truth and the accuracy of such materials in the judgement by the Director-General of the Customs.

6. Due attentions (the calculation of the Customs value of the imported goods which are for sale through the e-commerce website)

(Q6-1) Which method shall be applied to calculate the Customs value of the imported goods which are for sale through the e-commerce website?

A: It should be calculated based on the methods of the Customs valuation of the imported goods, which are from the Primary method to the Fall-back method. Which method should be applied is depending on whether import transaction exists or not. Therefore, please confirm the role of the importer and facts of the transaction such as person or company to be delivered or to be resold.

Please kindly note that for determining existence or nonexistence of an import transaction, it should be taken into account not only by the contents of the importer's explanation (in written form) or attached documents of the import declaration, but also the overall facts of the imported goods, including whether the such contents reflect the actual transaction accurately or not.

(Q6-2) In case that an importer asks a customs broker to take an import clearance procedure on his/her behalf, how should the customs broker make the import declaration when existence of the import transaction or detail of the transaction of the imported goods is unknown?

A: An applicable method of the Customs valuation depends on whether it exists an import transaction between a seller and a buyer of the imported goods or not. First, please confirm a role of importer such as a buyer, Customs manager under Article 95 of Customs Law as a proxy of non-resident. Also please confirm a place and a person/company to deliver or to resale after importation. Otherwise, it may not be possible to make an import declaration with a correct price.

Furthermore, prior to file an import declaration, please make sure to obtain the relevant and necessary information to calculate the Customs value and evidence for such calculation.

(Q6-3) When the imported goods will be sold through the e-commerce website, is it possible to use an invoice price for an import declaration for Customs valuation purpose?

A: In case that the import transaction exists and Primary method for the Customs valuation purpose is applicable, it is possible to determine the Customs value based on the invoice price as far as the invoice price correctly represents the price of the import transaction and conditions of such transaction.

For example, when a person/company located in Japan ordered the goods as a buyer, and the goods shipped from the seller who received the order from the buyer and arrived at Japan, it is considered there is an import transaction and Customs value shall be calculated based on the invoice price if the invoice price represents the correct price of the transaction,.

(Q6-4) How shall the Customs value be calculated if a non-resident imports the goods in order to sell them through the e-commerce website?

A: In case that a seller of the e-commerce website is a non-resident and the goods imports to Japan without a sale between seller in export or producing country and a buyer located in Japan, there is no import transaction and the Primary method is not applicable to calculate the Customs value.

If the Primary method is not applicable, the following alternative methods shall be applied in sequential order:

- the Identical or Similar goods value method (Article 4-2)
- the Deductive value method (Paragraph 1, Article 4-3)

- the Computed value method (Paragraph 2, Article 4-3)
- the Fall-back method (Article 4-4)

(Q6-5) In case that the imported goods are sold through the e-commerce website by a non-resident, how shall the Customs value be calculated by using a specific method under the Fall-back method which is set by the Director-General of the Customs?

A: When the specific method set by the Director-General of the Customs under the Fall-back method, Article 4-4 shall be applied, such as importer wishes to make the import declaration by the general procedure (not using the BP system) but there is no domestic sale, the Customs value shall be calculated based on the materials submitted to the Customs for import declaration which is considered as objective and reasonable means.

For example, the Customs value can be calculated based on an estimated price of the identical or similar goods on the e-commerce website by recognizing the estimated price as deemed domestic selling price. In this case, the expenses of the domestic costs which are surely confirmed as accurate after arrival in Japan and the Customs duties and taxes at the importation shall be deducted.

(Q6-6) In case of applying a method set by the Director-General of the Customs, what kind of materials should be submitted to the Customs?

A: The materials to be used for the calculation of the Customs value should be based on the objective and reasonable source and truly and accurately indicate the amount that is to be used as the basis of calculation of the Customs value and circumstances of the transaction. Therefore, materials which are simple lists of domestic sales and a series of domestic costs made by an exporter is not sufficient enough as objective and reasonable source of evidence.

If the Customs requests to submit materials of a domestic selling price or domestic transportation costs, please submit materials which verify the domestic selling price on the e-commerce website and an actual invoice to a vender, of which clearly indicates such domestic transportation costs.

(Q6-7) In case that the Customs value shall be calculated based on the estimated price by applying a method set by the Director-General of the Customs, how should domestic transportation costs to be handled if the delivery place or person/company is unknown, and the costs have not been fixed yet?

A: Although the domestic transportation costs depend on the delivery place, it is possible to deduct a minimum domestic transportation cost from the Customs value when the range of the domestic transportation costs are fixed and importer can submit an objective and reasonable source of evidence.

7. Others

(Q7-1) At the import declaration, is it necessary to submit a value declaration form and/or materials for the calculation of the Customs value to the Customs?

A: In case that the Customs value shall be determined under Article 4-2 or the Articles following it is necessary to submit a value declaration form except when the imported goods are duty free or specific duty goods item or the total amount of the Customs value is less than 1 million yen.

However, in case of calculating the Customs value under Article 4-4, please submit materials to show the process of the calculation of the Customs value and their sources.

(Q7-2) In case that an invoice is a proforma invoice or a domestic selling price or domestic transportation costs to be deducted is unfixed/unknown and taking long time to determine the Customs value, is it possible to apply the BP system?

A: If there is no particular issue for withdrawal of the imported goods other than the Customs value at the time of import declaration, then it is possible to apply for BP system and withdraw the imported goods into Japan.

For application of the BP system, it is necessary to provide a guarantee (deposition of the cash to the Legal Affairs Bureau holding jurisdiction over the bonded area where the imported goods are stored, etc.) before withdrawal of the goods.

For more detail concerning the application BP system or prior consultation of the Customs valuation, please contact to the Customs where the import declaration to be made.

(Q7-3) How shall the amount of the deposit on BP system be calculated?

A: The amount of the deposit on the BP system which is necessary to provide at the application is the same amount of the declared duty/tax if there is no particular issue for the declared duty/tax amount. Other than that, in principle, 10% is added to the declared duty/tax amount. In case that the difference between the declared duty/tax and the correct duty/tax is clearly beyond 10%, the amount of the deposit should be the same amount of such correct duty/tax. The specific deposit amount of each case should be decided at the Customs where import declaration to be made.

For example, like Q7-2, invoice is a proforma invoice or a domestic selling price or domestic transportation costs to be deducted is unfixed/unknown, please consult at the Customs where the import declaration to be made.

(Q7-4) Is it necessary to correct the declaration of the imported goods if the importer finds miscalculation of the Customs value after the import permission?

A: If the importer finds the miscalculation of the Customs value of the imported goods and is sure that the existence of underpayment of duties/taxes, please make correction of declaration with necessary materials to calculate the Customs value at the Customs where the import declaration was made.