

An Explanation of Warranties in the Price Paid or Payable

Pre 2002 the definition of “**Price**” in Sect 154(1) stated, among other things, that in relation to goods the subject of a contract of sale, means an amount determined by a Collector, after disregarding **value unrelated matter** in relation to those goods, to be the sum of

Pre 2002 the definition of “**value unrelated matter**” included, among other matters, a reference to activities undertaken by the purchaser on his own account.

In 2000 the full bench of the Federal Court decided, in the matter of AMI Toyota, that particular warranties fell within the definition of activities undertaken by the purchaser on his own account and, as such, were included in the definition of value unrelated matter and, as a result, were to be disregarded for the purposes of determining the price paid or payable.

In 2002 the Government amended the valuation provisions to, in their opinion, provide consistency with Article 1 of the Agreement on Implementation of Article VII of the General Agreement on Tariff and Trade 1994. The Government considered that the decision of the Federal Court interpreted the valuation provisions of the Customs Act in a manner that was inconsistent with the Valuation Agreement.

The amendment included the repeal of the definition of “**value unrelated matter**” and substitution with a new definition for “**rebates**” that did not include any reference to activities undertaken by the purchaser on his own account. The definition of “**Price**” was also amended to remove any reference to the phrase “**value unrelated matter**” and in its place substitute the word “**rebate**”.

The effect of the amendment was that all payments by the buyer of the imported goods to the seller, including any payments for warranty, were to be included in the customs value of all goods entered for home consumption.