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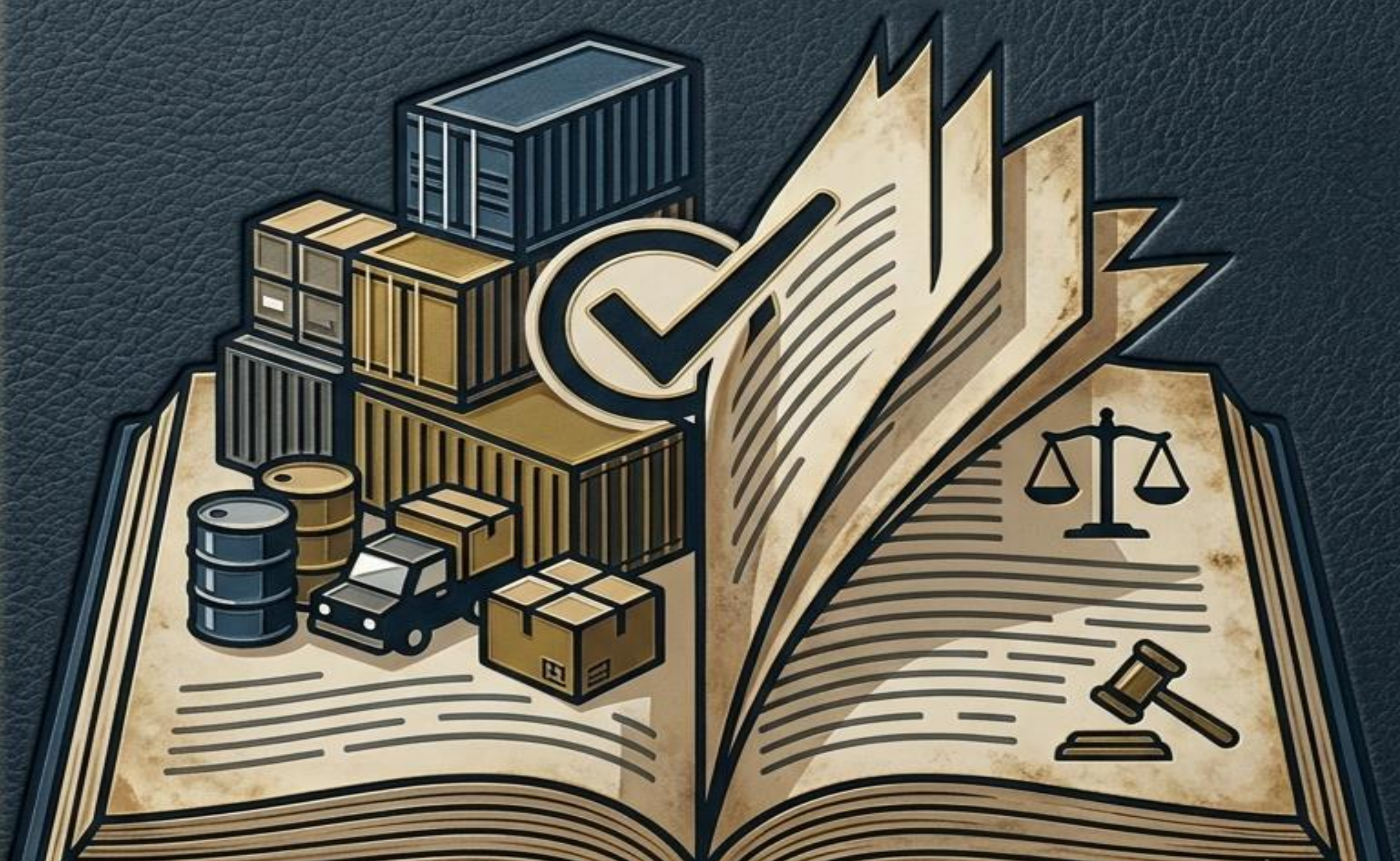
CUSTOMS VALUATION DIRECTIVE NO. 1123/2018 (2026)

(COMPREHENSIVE) LEGAL UPDATE



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Ethiopia Amends Customs Valuation Rules: Strengthening Transparency, Fairness, and WTO Compliance

1. Introduction

The Ministry of Revenues has issued **Customs Valuation Directive No. 1123/2018 (2026)**, amending the **Customs Valuation Directive No. 1080/2017 (2025)**. The amendment entered into force upon its registration with the Ministry of Justice and publication on the official website of the Ministry of Revenues.

The revised Directive is intended to improve the administration of customs valuation by providing clearer procedures for submitting supporting documents, enhancing transparency throughout the valuation process, and aligning Ethiopia's customs valuation framework more closely with the principles of the World Trade Organization (WTO) Agreement on Customs Valuation. Collectively, these changes strengthen procedural fairness for importers while reaffirming that customs valuation should primarily be based on the actual transaction value of imported goods.

2. Reinforcing the Role of Transaction Value in Customs Valuation

A central objective of the amendment is to reinforce the transaction value method as the primary basis for determining the customs value of imported goods. Under this approach, customs valuation is based on the actual price paid or payable for the goods rather than on administratively determined prices or estimated market values. This principle is internationally recognized under the WTO Customs Valuation Agreement and promotes greater predictability and fairness in international trade.

The amendment therefore limits circumstances in which customs authorities may depart from the declared transaction value and introduces additional safeguards before such a decision can be made.

3. Reference Prices Are Reserved for Risk Management Purposes

One of the most significant amendments concerns the definition and use of **reference prices**. The Directive now expressly provides that reference prices maintained by the Customs Commission are intended solely for risk management purposes. Their function is to help customs authorities identify declarations that may require further examination or verification.

Importantly, the amendment makes it clear that reference prices are not intended to replace the declared transaction value of imported goods. In practice, this means that customs authorities cannot disregard the actual purchase price simply because it differs from internally maintained reference prices. Instead, any concerns regarding the declared value must be assessed through the procedures established under the customs valuation rules.

4. Elimination of the "Base Price" Concept

The amendment also repeals the definition of **"Base Price"** in its entirety. Under the previous Directive, this concept allowed the Customs Commission to organize pricing information where importers failed to provide accurate price details. Its removal signals a deliberate shift away from reliance on administratively determined pricing mechanisms and further emphasizes that customs valuation should be based on the actual commercial transaction between the parties.

This amendment strengthens Ethiopia's commitment to internationally accepted customs valuation principles by reducing reliance on predetermined pricing systems.

5. Clearer Circumstances for Requesting Additional Information

The amended Directive introduces greater clarity regarding the situations in which customs authorities may request additional information or supporting documents from importers and declarants.

Additional information may now be requested only where the declared transaction value or supporting documents are incomplete, where the legal conditions required for acceptance of the transaction value have not been satisfied, where descriptions of the goods or other required information are inaccurate or incomplete, where there is evidence suggesting that submitted documents are false or forged, or where additional costs that are legally required to form part of the customs value have not been included or cannot be verified.

By clearly identifying these circumstances, the amendment reduces uncertainty and limits discretionary requests for documentation.

6. Greater Flexibility for Submitting Supporting Documents

The amendment also recognizes that importers may encounter genuine difficulties in obtaining supporting documents within the prescribed timeframe.

Although the standard period for submitting additional evidence remains fifteen days, importers and declarants may now request an extension by submitting a written application where the required documents cannot reasonably be obtained due to circumstances beyond their control. Such circumstances may include delays caused by overseas manufacturers or suppliers, international banking verification procedures, or transport and logistics documentation processes.

This provision reflects the practical realities of international trade and provides businesses with a more flexible and equitable compliance process.

7. Protection Against Excessive Documentation Requests

Another important safeguard introduced by the amendment concerns the scope of information that customs authorities may request.

The Directive now requires that any additional documents requested must relate directly to the specific import transaction under review and must be documents that the importer can reasonably obtain in the ordinary course of business. Examples include commercial invoices, purchase agreements, payment records, transport documents, and other commercial correspondence relating to the transaction.

Equally significant is the new rule that customs authorities may not reject a declared transaction value merely because an importer cannot provide documents that are ordinarily outside its possession or control. For example, the inability to produce a manufacturer's internal price list, market analysis reports, or unrelated commercial information cannot, by itself, justify rejecting the declared customs value. This provides important legal protection for importers who frequently have no practical access to confidential information maintained by foreign manufacturers.

8. Revised Procedures for Related-Party Transactions

The amendment also revises the procedure applicable where customs authorities suspect that the relationship between a buyer and seller may have influenced the declared transaction value.

Instead of immediately rejecting the declared value, customs officers must first document the reasons supporting their suspicion and refer the matter to the Valuation and Development Directorate for further examination. During this process, the imported goods may be released once the importer provides security sufficient to cover any duties and taxes that may ultimately become payable.

The Directive further requires that any security demanded by customs authorities must be proportionate and must not exceed what is reasonably necessary to safeguard the government's revenue interests. This amendment promotes both efficient customs administration and the timely release of imported goods.

9. Greater Certainty in Verifying Related-Party Prices

The amendment also clarifies the circumstances in which transaction values involving related parties may still be accepted.

A declared value may be accepted where it closely approximates the transaction value of identical or similar goods sold to unrelated buyers in Ethiopia during the same period or where the requirements governing the transaction value method have otherwise been satisfied. This clarification provides greater legal certainty for multinational companies and businesses that regularly engage in transactions within related corporate groups.

10. Simplifying the Customs Valuation Framework

Several provisions of the previous Directive have been repealed as part of the amendment. These include provisions relating to the deductive valuation method, certain valuation rules applicable to goods purchased outside their country of origin, and provisions concerning the use of organized customs reference price information.

These repeals simplify the regulatory framework and further align Ethiopia's customs valuation system with internationally recognized customs valuation standards.

11. Stronger Procedural Safeguards for Importers

Beyond the substantive amendments, the Directive introduces important procedural protections designed to promote fairness and proportionality.

Requests for additional information must now be confined to matters directly related to the customs declaration under review and must not impose unnecessary or disproportionate obligations on importers or declarants. Likewise, where security is required pending completion of a customs investigation, its amount must remain proportionate to the circumstances of the case.

These procedural safeguards help ensure that customs compliance requirements remain reasonable while allowing customs authorities to effectively protect government revenue.

12. Practical Significance for Businesses

The amendment represents an important development for businesses engaged in international trade. By reinforcing the primacy of the transaction value method, restricting the use of reference prices to risk management purposes, eliminating the base price mechanism, limiting the scope of documentation requests, allowing extensions for submitting evidence, and facilitating the release of goods pending investigation, the Directive establishes a more transparent, predictable, and balanced customs valuation system.

Importers, customs agents, freight forwarders, logistics companies, and businesses involved in cross-border trade should review their customs compliance procedures to ensure that they fully understand both the new protections available under the amended Directive and their continuing obligations during customs valuation processes.

13. Conclusion

The amendment to Ethiopia's Customs Valuation Directive reflects a significant step toward strengthening transparency, legal certainty, and procedural fairness in customs administration. By bringing the country's customs valuation framework closer to internationally accepted standards while introducing practical protections for importers, the Directive is expected to contribute to a more predictable trading environment and facilitate legitimate international commerce.

Disclaimer

This legal update is provided for general informational purposes only and does not constitute legal advice. Businesses facing customs valuation issues or requiring guidance on the application of the amended Directive should seek professional legal advice based on the specific facts and circumstances of their case.