

VALUATION

All merchandise entered into the U.S. must be valued. The most common method of valuation is “Transaction Value,” which represents the total “price paid or payable” for merchandise with certain additions, such as selling commission, factored in.

Problems occur when the seller is related to the buyer and the relationship affects the price. This is a common issue when the sale is between two or more related corporate entities and the transaction has been arranged to take advantage of tax preferences. If the relationship does affect the price, then transaction value may not be used and another valuation method, such as Deductive or Computed Value must be used. Errors in valuation generally result in penalties based on the value of the imported merchandise (up to the full domestic value of the goods).

A common valuation mistake is the failure to report additions to the invoiced value of the imported merchandise. For example, if the importer supplied the seller with tooling, molds, raw material, design work, etc., and the cost of these items has not been included in the entered value of the merchandise, a violation of the value law has been committed, even if the goods were duty-free. If the importer supplied the seller with financial assistance or raw material, etc., and the costs associated have not been repaid and been included in the entered value, again, a violation of the value law has been committed.

Other additions to the entered value such as royalty and license fees, subsequent payments made to the seller after importation, selling commissions, etc., are often missed and not included in the entered value and thus result in violations. Discounts and rebated after importation can also result in violations of the value law if they are improperly factored into entered value by the importer.