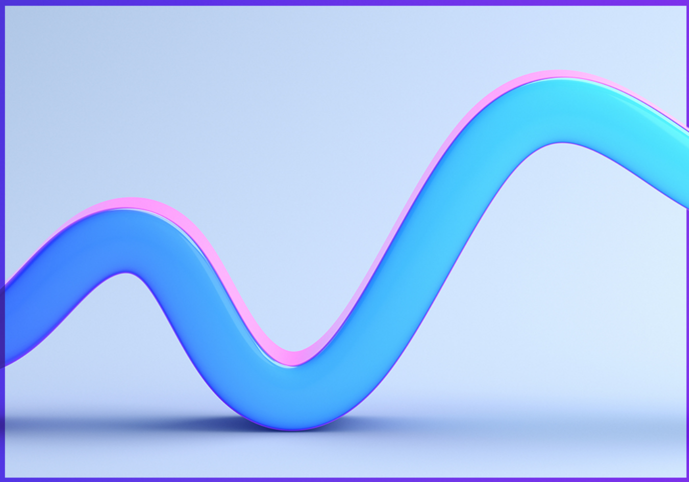
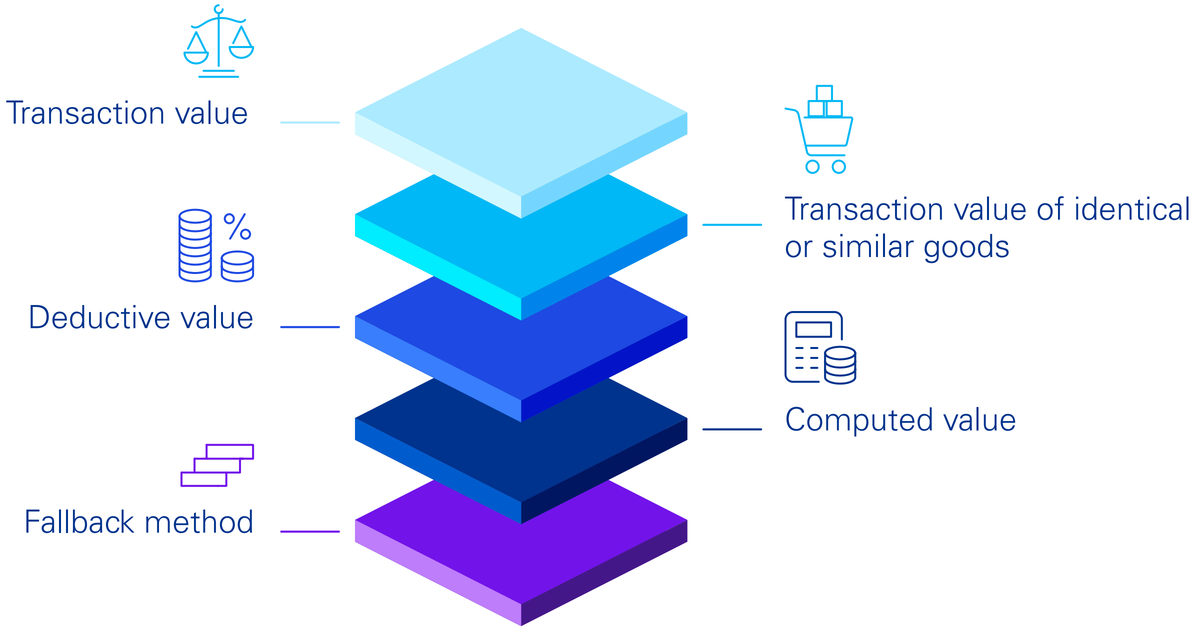
Customs Valuation Enhancement



Customs valuation is a critical aspect of international trade, helping to ensure that the correct duties and taxes are applied to imported goods. However, compliantly enhancing customs valuation can lead to significant cost savings and compliance benefits for companies. In a high-tariff environment, managing customs valuation is foundational to long-term cost management. This document outlines key strategies for customs valuation enhancement.

The Right Method of Appraisement

The right appraisement method for imported goods is the first step for determining the correct customs valuation. Companies must apply the most appropriate method from the five hierarchical methods of appraisement:



Each method has specific criteria that must be met prior to application, as well as defined parameters for costs that must be included or may be excluded. While a core tenet of customs compliance is applying the appropriate methodology, ensuring that the appraisement method is calculated correctly may drive cost efficiency. Companies often rely on the price paid or invoice price when another valuation may be more appropriate due to certain conditions.

The Right Transaction

When using the transaction value method, it is crucial to identify the correct transaction that represents the sale for export. This may involve relying on an earlier sale for export, such as the first sale, to determine the value of the imported goods - especially when there are multiple sales that lead to the U.S. importation. The earlier sale principle allows companies to declare the value of a prior sale for customs valuation, potentially resulting in a lower customs value and reduced duties. This is often a sale between two overseas parties.

Non-Dutiable Charges

Extracting non-dutiable charges from the price can further optimize customs valuation. Certain overseas non-manufacturing charges, such as transportation, insurance, and other non-production costs, can be excluded from the declared customs value. This requires a thorough review of the invoice and supporting documentation to identify and segregate these charges. Further, on-going record-keeping and customs broker engagement is important to maintain compliance and maximize deductions.

Impact of Different Incoterms

Selecting the correct incoterms, such as ex-factory, can significantly impact customs valuation. Incoterms define the responsibilities of buyers and sellers regarding the delivery of good. As such, it further identifies who bears different costs, such as transportation. Choosing the right incoterm can affect the declared customs value. For example, ex-factory terms may exclude certain costs from the customs value, leading to potential duty savings. Reviewing and modifying incoterms can help drive long-term savings.

Strategic Planning

Strategic planning is crucial for optimizing customs valuation and overall business performance. This involves considering areas such as software, intellectual property rights, on-shoring certain high value task and exploring the impact of transfer pricing.   Effective holistic planning can help companies navigate complex trade regulations, manage costs, and enhance compliance.

How KPMG Helps

KPMG helps companies consider all angles of customs valuation to help clients maximize compliance and avoid overpaying duties. Our team of experts can assist you in conducting a comprehensive review of the current customs valuation practices, identify opportunities for optimization, and provide actionable recommendations. We leverage our experience and knowledge in customs valuation to ensure that our clients achieve the best possible outcomes.

Contact us

Andrew Siciliano
Partner
Trade & Customs
Global Practice Leader
asiciliano@kpmg.com

Irina Vaysfeld
Principal
Trade & Customs
ivaysfeld@kpmg.com

John McLoughlin
Principal
Trade & Customs
jlmcloughlin@kpmg.com

Luis Abad
Principal
Washington National Tax
Trade & Customs
labad@KPMG.com

Amie Ahanchian
Principal
Trade & Customs
ahanchian@kpmg.com

Gisele Belotto
Principal
Trade & Customs
gbelotto@kpmg.com

Steven Brotherton
Principal
Trade & Customs
sbrotherton@kpmg.com

Jessica Libby
Principal
Trade & Customs
jlibby@kpmg.com

Dawn Olesky
Principal
Trade & Customs
dolesky@kpmg.com

Frances Xing
Principal
Trade & Customs
francesxing@kpmg.com

Chris Young
Principal
Trade & Customs
christopheryoung@kpmg.com

George Zaharatos
Principal
Trade & Customs
gzaharatos@kpmg.com

Doug Zuvich
Principal
Trade & Customs
dzuvich@kpmg.com

Andrew Doornaert Senior
Managing Director
Trade & Customs
adoornaert@kpmg.com

Jason Given
Senior Managing Director
Trade & Customs
jgiven@kpmg.com

Wesley Bergeron
Managing Director
Trade & Customs
wbergeron@kpmg.com

Benjamin Child Managing
Director
Trade & Customs
bchild@kpmg.com

Rada Gaynullina
Managing Director
Trade & Customs
rgaynullina@kpmg.com

Jenna Glass
Managing Director,
Trade & Customs
jennaleighglass@kpmg.com

Thomas Hickey
Managing Director,
Trade & Customs
thickey1@kpmg.com

Donald Hok
Managing Director
Washington National
Tax, Trade & Customs
dhok@kpmg.com

James Mulvehill
Managing Director
Trade & Customs
jmulvehill@kpmg.com

Kelly Nelson
Managing Director
Trade & Customs
klnelson@kpmg.com

Nicole Porpiglia
Managing Director
Trade & Customs
nporpiglia@kpmg.com

Eric Stoff
Managing Director
Trade & Customs
estoff@kpmg.com

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