



## Shipping delays and improper customs valuation can cause headaches. How can the shipper help alleviate these pain points?

With the dramatic growth of e-Commerce comes greater scrutiny on the declared value of goods and a rise in customs inspections. Declaring the correct value of goods can help limit delays and other problems. As the final possessor of goods before shipment, the shipper plays an important role in helping the importer with valuation accuracy.

The term "shipper" is used differently throughout the international community, but it is frequently used to describe the party providing the goods for transport to the final destination. While this can be the manufacturer or the carrier, the appropriate definition here is the last party to have ownership or possession of goods before a shipment is sent.

Ensuring that accurate and complete documentation is provided for both import and export customs can greatly improve a shipment's ability to clear customs.



# Best Practices Checklist

Before submitting your commercial invoice with the shipment, make sure this information is included:

- The shipper/seller name and address, including contact information
- The consignee/buyer name and address, including contact information
- The delivery point name and address, including contact information
- Detailed and accurate description of the merchandise  
*Example: Silk kimono, 18-karat gold rope necklace, mens 100% cotton t-shirt, etc.*
- Quantities of each item being shipped, in its most detailed unit of measurement  
*Example: Use 2 pieces, 3 dozen units instead of 1 bundle, 2 boxes*
- The purchase price of each item in the currency of the sale; provide both the unit price, and if applicable, the total value for all similar items

**Notes:**

- The purchase price is the actual amount that is being paid in regards to the final sale that has taken place prior to the goods arriving into customs territory.
- The purchase price must match the proof of payment.
- Falsifying the price paid for goods and/or splitting orders into lower customs values is a serious legal violation and can result in severe penalties and other enforcement actions.
- If the merchandise is not shipped pursuant to a sale (e.g., consignment sales), identify the value of similar/identical merchandise exported to the destination country around the same time as the shipment (or use one of the other methods of valuation, as applicable)

- The country of origin and manufacture of the item(s)
- The number of packages and the weight of the shipment
- Incoterms used for the sale  
*Example: FOB, CIP, DDP, etc.*
- Any rebates, commissions, freight, insurance, and/or packing, if applicable  
**Note:**
  - Subject to the Incoterm used for the sale, any prepaid freight and/or insurance may be provided on the commercial invoice.
- Any processing or repair cost if the shipment is a replacement item or is being returned after repair
- Any additions to transaction value (e.g., royalties, assists, packing costs, selling commissions, proceeds of a subsequent resale)

## Six methods for valuing goods for customs

Ensure valuation accuracy by using one of following valuation methods by the World Trade Organization (WTO):

- (1) Transaction value of imported goods**  
Primary basis for valuation if product is already sold; the value is the price actually paid for the merchandise when sold for exportation in the destination country plus certain additions and deductions (and subject to restrictions for sales between related parties)
- (2) Transaction value of identical merchandise**  
The determination of value is based off an acceptable appraised value of identical merchandise
- (3) Transaction value of similar merchandise**  
The determination of value is based off an acceptable appraised value of similar merchandise
- (4) Deductive value**  
When a transaction value cannot be determined, deductive value is calculated by making additions to and from the initial unit price
- (5) Computed value**  
Rarely used, computed value is the summation of production costs, profit and general expenses
- (6) Derived value (fall-back method)**  
If proper value cannot be determined, valuation can be based on previously determined values and methods with a reasonable amount of flexibility in application

Refer to WTO's website for more information (<http://bit.ly/6-Valuation-Methods>).

For shipment specific inquiries, please contact your local Customer Service Representatives or Account Manager. Should you require additional support from a Trade Management Specialist, do consider consulting Sandler & Travis trade Advisory Services (STTAS), a UPS Company (<https://www.sttas.com/>)



The consequences of declaring improperly valued goods can be severe. Customs authorities at the border hold the right to take the following actions:

- Seize merchandise
- Demand proof of payment or other evidence of value, resulting in delays and additional costs to the importer
- Revoke *de minimis* privileges, requiring duty and tax to be paid on informal or formal entries going forward
- Open a formal investigation, which could result in substantial delays and back payment of appropriate duties and/or taxes
- Initiate an audit or inspection of future transactions, delaying goods at the border

