



Undervalued corporate gifts at Customs

How to value your items properly for customs.

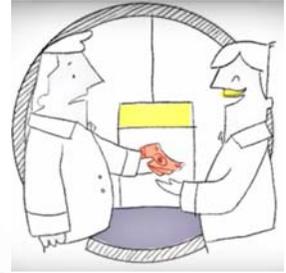
Recently, a company of corporate gifts and promotional items hired a shipping company to ship sunglasses as giveaways for an incentive trip in Rome. Since the items wouldn't be distributed or sold to the general public and the event wouldn't be open to local attendees, the shipper decided to declare the sunglasses with a lower price than its real value in order to pay less tax. However, arriving at Rome, the company was informed about a 15,000 Euros penalty due to sub-valuation and if they didn't pay it, Customs would seize the shipment... This could be you, you know why?

When you are shipping gifts, promotional items or awards to be given away in a foreign venue, you may need to provide some information about your cargo like a **shipping invoice form with a list of all the commodities, quantities and the commercial value per item**. All this information is required from customs in order to confirm that the products are in rule and to determine the import and consumption taxes to be paid.



However a common mistake that is made when we talk about corporate gifts is to provide a shipping/commercial invoice form where the items are **undervalued**, taking for granted that Customs authorities will accept the values provided, ignoring if there are **special proceedings when submitting the entry customs declaration** for a shipment that is not intended for resale when imported.

In this case, you need to know that the value of the goods in invoices provided to customs must be set **according to the value at which the item was purchased, not the value at which you would give them to your attendees**. In other words, you have to give the real **commercial value** of your items.



Remember that a commercial value is a monetary estimation of your goods and it includes factors like manufacturing costs, packaging, shipping, overhead, and profit margin.

How do we define Commercial Value?



Commercial value is the **actual price at which a product is sold** either to unrelated parties or to related parties at arm's length or the price that the manufacturer, seller, shipper, or owner would have received for such merchandise if sold in the ordinary course of trade.

Customs Value = Commercial Value + Incremental costs



Incremental costs are all costs associated with the international shipping like international freight and cargo insurance, among other possible costs.

Customs Value: according to the World Customs Organization, the customs value of imported goods constitutes the **taxable basis for customs duties and taxes**. It is also an essential element for compiling trade statistics, monitoring quantitative restrictions, applying tariff preferences, and collecting national taxes. That is why **an undervalued product is seen by the authorities as a deliberate attempt to hide information and therefore is illegal**.



You must know that once customs check the shipment, they may - and have the right to request as much information as is needed in order to **verify the accuracy of the data that were provided in the documents** they received.



Although there are different requirements in each country, **the authority may require further information** as evidence like: commercial invoice, purchasing order, a letter from the manufacturer, a letter from the venue, list of guests, etc.

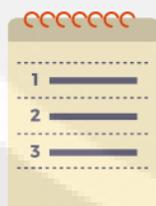
This process can take several days, hence the importance of doing things well in time.



Take into consideration that the customs authorities can check the prices at which similar products were previously imported.

➔ The authority also has the right to **reject the declared value** and start an investigation to determine the commercial value and customs value of imported goods when the invoices seem to be false.

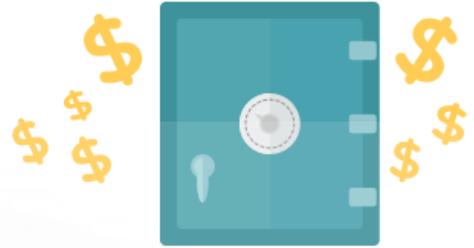
If the information that customs finds during the research doesn't tally with the information that you gave, **a seizure, penalties, legal problems or the removal of the import license of the consignee are a possibility.**



In fact, some of the countries have some kind of record where they can check your previous imports. When you are caught with undervalued products, you get a **bad record at customs** in order to avoid the arrival of your importations to the country.

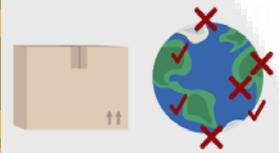


Even if your items are insured you will have a lot of trouble. Just think about it: In the case that the insurance is applicable and your items suffered any damage or loss, as they are undervalued, **the insurance only will cover the value which you set in your shipment.**



Another thing that you must have in mind is that **in trade business the undervaluation of goods is a serious offense**, as it not only affected the customs authority, but also breaks the balance in the domestic economy of the country in which you try to get the goods.

We know that your items will not be resold or distributed to the general public and that they will be shared out in a private event. However, some countries do not have preference politics for the import of gifts that will not be distributed to locals.

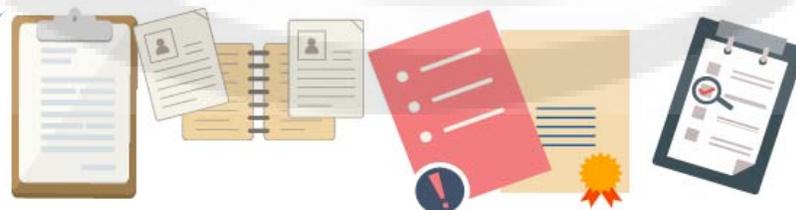


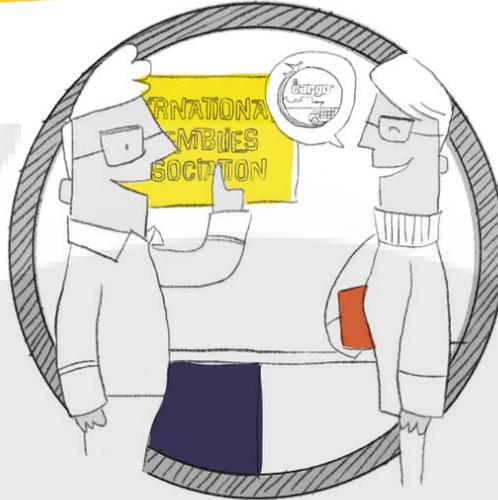
So, **the undervaluation of your goods is going to be seen as attempt of fraud.**



In pursuance of avoiding this awkward situation, we suggest you to have the following documents to prove the commercial value or the price paid:

- Commercial invoices.
- Insurance policies.
- Purchase orders.
- Manifestations of customs value.
- Documents that affect the value of the goods.
- Contracts, letters of instructions, in which can be observed in what terms the international negotiations were agreed, the value and method of payment.
- Records of transfer related to the payments made by the importer.





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