



TRANSACTION VALUE

Valuation and Classification of imported goods are among those most closely reviewed by U.S. Customs & Border Protection (CBP). This speaks to one of CBP's chief responsibilities; to protect the revenue of the United States government. Improper valuation can dramatically affect the amount of duties paid by the importer. Gaining an understanding of invoice terms and the principles of valuation is critical for accurate determination of the dutiable value. The responsibility and ultimate goal of the importer is to report the lowest dutiable value as allowed for under the law.

HOW IS IMPORTED MERCHANDISE APPRAISED

All merchandise imported into the United States is subject to appraisal. The Trade Agreements Act of 1979 sets forth six different methods of appraisal, and their order of preference. Under the Act, the preferred method of appraisal is transaction value. In the event the merchandise cannot be appraised on the basis of transaction value, the secondary bases are considered in the following order:

- Transaction Value of Identical Merchandise
- Transaction Value of Similar Merchandise
- Deductive Value
- Computed Value
- Values if Other Values Cannot be Determined

Importers may request the reversal of Deductive Value and Computed Value at the time the entry summary is filed.

WHAT IS TRANSACTION VALUE?

The transaction value of imported merchandise is the *price actually paid or payable* for the merchandise when sold for exportation to the United States, plus amounts equal to:

- A. The packing costs incurred by the buyer.
- B. Any selling commission incurred by the buyer.
- C. The value, apportioned as appropriate, of any assist.



- D. Any royalty or license fee that the buyer is required to pay, directly or indirectly, as a condition of the sale.
- E. The proceeds of any subsequent resale, disposal, or use of the imported merchandise that accrue, directly or indirectly, to the seller.

These amounts (items A through E) are added only to the extent that each 1) is not included in the price, and 2) is based on information accurately establishing the amount.

PRICE PAID OR PAYABLE

The price paid or payable is the *total payment* made, or to be made, for imported merchandise by the buyer, whether direct or indirect, and exclusive of any charges, costs, or expenses incurred for transportation, insurance, and related services incident to the international shipment of the merchandise from the country of exportation to the place of importation in the United States. (19 CFR 152.102(f).

The first step in establishing the entered value (dutiable value) is to review the terms of sale, also known as the Incoterms. These terms of sale imply which charges are included or excluded from the invoice price. It can then be determined what should be added to, or deducted from, the invoice price to reach the transaction value.

The most common terms are:

- EXW– ExWorks
- FOB – Freight On-Board at a particular named port
- CFR – Cost and Freight to named port of destination
- CIP – Carriage and Insurance paid to named place of destination
- DAP – Delivered, Duty Unpaid to named place of destination
- DDP – Delivered, Duty Paid, to named place of destination

FOB value includes all charges incurred to place the goods on board the vessel for shipment to the U.S. This includes packing costs, inland freight from the factory to the port, and port loading charges. Foreign inland freight (charges from the factory to the port) can only be deducted from the invoice value if the ocean shipment is on a “through bill of lading”.



C and D terms include non-dutiable charge including international transportation charges, insurance charges, duty, delivery charges that, if itemized on the invoice, and substantiation can be obtained, can be deducted from the price actually paid or payable.

LIMITATIONS ON THE USE OF TRANSACTION VALUE

Transaction value can only be used as the method of appraisement if there are no unacceptable restrictions or conditions on the sale, or where the buyer and seller are related and it is determined that the relationship influenced the price.

Where transaction value cannot be used as the method of appraisement, the secondary bases are considered in order as noted previously (Transaction Value of Identical Merchandise, Transaction Value of Similar Merchandise, Deductive Value, Computed Value, Values if Other Values Cannot be Determined)

Any items listed as "free of charge" or "no charge" must still indicate a realistic value for Customs purposes, even if the merchandise is damaged or is being returned because it did not meet specifications. In these cases because "price paid or payable" is not appropriate, the value reported is transaction value of similar or identical merchandise.

Resources:

Code of Federal Regulations, Title 19 section 152 ([CFR19 §152](#))

Customs Informed Compliance Publications:

[Customs Value](#)

[Proper Deductions of Freight and Other Costs from Customs Value](#)

[Transaction Value for Related Party Transactions](#)

[Customs Valuation Encyclopedia](#)